

# NATION'S BUSINESS



*The Builders—page 11*

**MARCH**  
**1938**

**Preview of the New Tax Law • Low Cost Housing at a Profit • The Railroads  
Point a Moral • Land Ownership Won't Make Smart Farmers**

# *Long Distance rates* **STEP DOWN** **EVERY EVENING AND ALL DAY SUNDAY**



**I**n the evening, after the day's duties are done . . . on Sunday, when the week's worries are over . . . *these* are especially pleasant times to bring far friends near and link scattered families by telephone.

Long Distance rates step *way down* after seven in the evening and all day Sunday. It takes little time and little money to *talk* to some one it would take hours and dollars to *visit*. Go there and *back* by telephone. Call after Seven or on Sunday—and *Save*.



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SEATTLE, WASH. . . . .	DENVER, COLO. . . . .	1.80
LOS ANGELES, CAL. . . . .	DES MOINES, IOWA . . . . .	2.50
SALT LAKE CITY, UTAH . . . . .	WASHINGTON, D. C. . . . .	3.25
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★ 3-minute station-to-station rates . . . in effect from 7 P.M. to 4:30 A.M. every night and all day on Sunday.





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The light-weight train was expected first of all to reduce operating costs and increase speed with safety. But along with the accomplishment of these aims, Budd methods of construction brought other advantages. A Budd-built car, fabricated by the exclusive SHOTWELD process into a single unit, light and strong, moves over the rails with a smoothness that amazes veteran travelers. A low center of gravity, sidesway eliminators, improved springs, trucks and couplings—all these add to the ease of riding. A new type of insulation shuts out noise. Every Budd-built car is air-conditioned. And every interior appointment is planned for comfort.

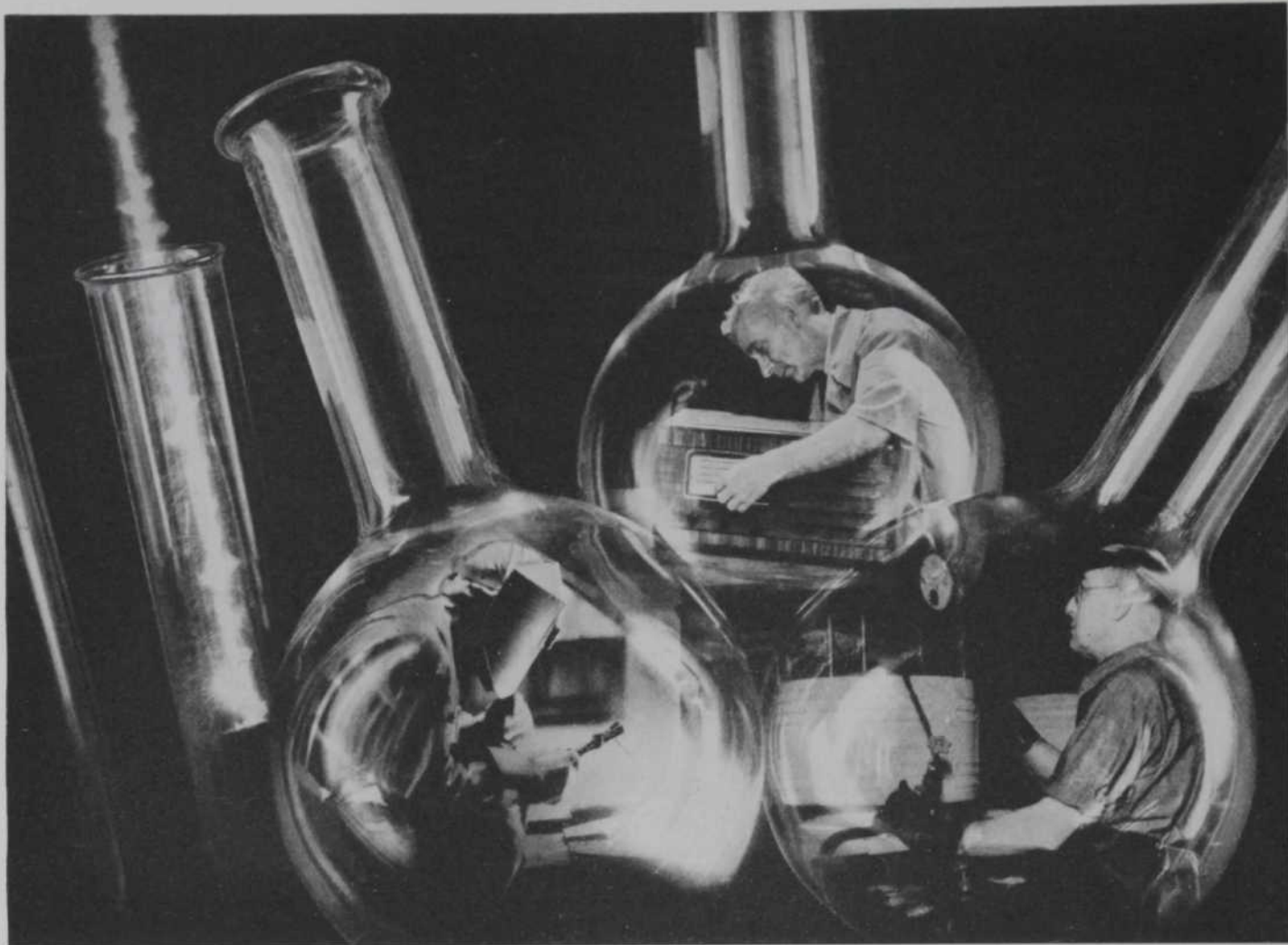
Budd-built trains are running full. Drawn by steam, diesel or electric power, they have speeded up schedules, cut operating costs and increased passenger traffic in an unbroken record of successful service. They have helped restore railroad travel to its rightful popularity amongst those who know—the traveling public.

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**BUDD METHODS SAFELY ELIMINATE DEAD-WEIGHT**





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These jobs are "test-tube babies," created in the modern research laboratories of industry. As a result, millions of people are employed today in welding, in making and selling radios, electric refrigerators, lamp bulbs, automobiles, and

hundreds of other manufactured products invented within the memory of many now living.

General Electric engineers and research scientists have contributed greatly to this progress. From the G-E Research Laboratory, in Schenectady, has come the modern electric lamp, which uses less electricity and gives more light, thereby saving the public \$5,000,000 a night. From it have come the modern x-ray tube which is helping the physician save lives, and conquer disease and suffering; the high-vacuum tube which makes radiobroadcasting possible; and many other developments which have created new jobs.

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1938 — OUR SIXTIETH YEAR OF ELECTRICAL PROGRESS — 1938



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Dowell, Incorporated, who make a business of treating oil wells with acid to increase production, are up against some of the toughest transportation problems in the world. Hard roads and oil wells seldom get very close together. The type of equipment used by Dowell in "acidizing" oil wells is big and heavy. This means cross country trucking from highways to oil rigs with little or no roadway under the wheels. Dowell's fleet of 104 Internationals, of all sizes, masters these jobs in important oil fields all over the North American Continent.

*And just as Dowell's special treatment of acids and chemicals overcomes natural barriers INSIDE the earth, Dowell's great fleet of Internationals overcomes the natural barriers on top. This combination has treated*

some 11,000 wells in the last five years to produce a gain of over \$50,000,000 in the oil industry.

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# INTERNATIONAL TRUCKS



## QUESTIONS our readers are asking:

- 1 • WHAT is the new tax law going to be like and will it help business?  
..... ANSWER ON PAGE 15
- 2 • CAN private capital build homes for poor people and get any return or does this have to be subsidized? . ON PAGE 21
- 3 • THE RAILROADS have spent a lot of money in good will advertising but have they gotten any good out of it?  
..... ON PAGE 23
- 4 • APPARENTLY the majority of people want government supervision of commodity exchanges. What kind of a job is government doing? . . ON PAGE 25
- 5 • HOW MUCH of the present farm problem actually results from farm tenancy?  
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In every type of business, everywhere, Monroes are turning out the greatest volume of accurate figures at the lowest cost. They are also saving strain and fatigue for tens of thousands of figure workers. The "Velvet Touch" Monroe keyboard (the easiest operating keyboard ever made), Monroe simplicity and quietness, have made Monroe the operators' favorite.

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## Through the EDITOR'S SPECS

### First reader economics

WHAT a wealth of confusion our economic life has become. Or has it? Perhaps it is only the description we get in the six-syllabled-400-page treatises of the New Day politico-economists.

Oh, for someone to describe the fundamentals in simple language! For instance, one day's news carries the statements that the Administration

WILL FIGHT WAGE REDUCTIONS  
and

CHARGES CAPITAL IS ON STRIKE  
A patient people would build a monument to the statesman who would explain the situation in one-syllabled Primer language, who would risk caste and dignity by writing something like this:

See the three men.

Who are they?

One wants to build a house.

The second is a work-man.

The third has the tools.

What is the first man saying?

He is trying to per-suade the third man to rent his tools and of-fers him \$5 for rent for each \$100 worth of tools. Why is the man with the tools hesi-tat-ing?

Be-cause, he says, he is not sure of the \$5, and also a-fraid he will not get his tools back.

Isn't he fool-ish?

Maybe so, but he says he read in the papers that "they" were going to pay his partner, the working man, first, and there might be nothing left for him.

What does the other man, the worker, say?

He says he wants more from the partnership than ever before, and that he expects to work less.

It is a pity the three men cannot get together, isn't it?

### Second reader stuff

OUR SYSTEM of government is responsible for our favored position as a business nation because it held out incentive to daring souls to take chances in industrial undertakings, and because it gave us small government expenses, until we began to tamper with the Constitution, changing the election of senators to direct vote, adopting the primary system and incorporating the income tax.

Before that our small government expenses left us able to supply enterprisers with the wherewithal to plan boldly. Furthermore, it gave us a government of laws and not, as in other countries, a government of men, thus permitting American enterprisers to see farther ahead than their competitors overseas.

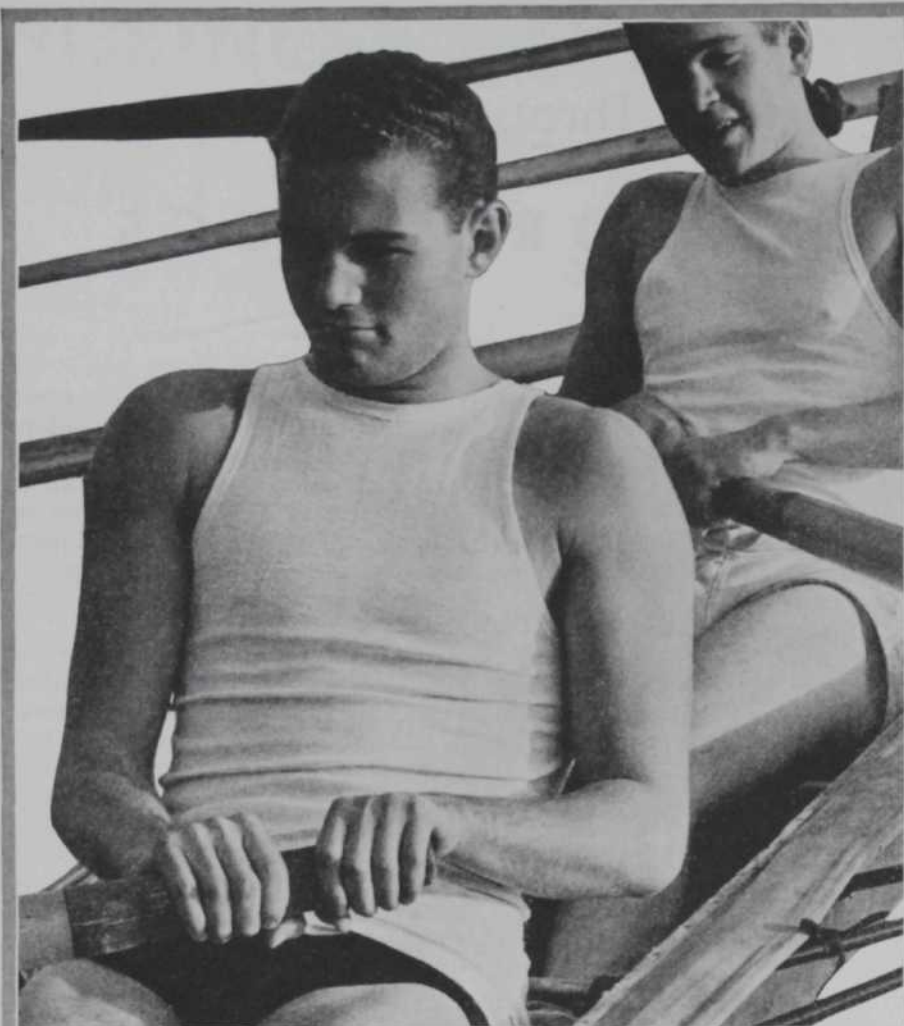
When we realize that there are bureaus in Washington today issuing more laws in the form of regulations in 24 hours, carrying penalties of imprisonment and fines, than Congress passes all session, we get a quick picture of government by administrative law, a procedure hitherto strange in the United States. Finally, our court system preserved, through times of stress, protection to the individual enterpriser and to the individual income-producer, protecting both from the masses; the one from blind attack on success, and the other from confiscatory levies upon income and property.

Today, well-meant reforms are destroying the three things which gave us our industrial stride, the envy and despair of the rest of the world. The enterpriser is hampered on every hand by restrictions: earned income of the rest of us is denied him because of heavy taxation for political purposes; and administrative law, that is, government by men, which makes it uncertain what may happen overnight, is deterring him from taking those chances necessary to sustain the pressure upon which progress depends.

### On and up still a goal

TOO much bad news about the state of business leaves one with a feeling of futility and defeat. There is no capacity left for the substantial evidence of progress on many fronts, no receptivity to solid examples of the active concern to produce and sell new things. One evidence of the ceaseless projection of business enterprise is the "change page" regularly printed in NATION'S BUSINESS. Established in April, 1931, this department of the magazine now stimulates an average of six hundred inquiries monthly. In this widely distributed response





## TOGETHER, AS ONE

THIS Company is in *one* business.

One power-plant differs from another as men differ. Each has its unique problems. To serve all power-plants with uniform efficiency, with skill and knowledge, Hartford Steam Boiler specializes *solely* in engineering insurance.

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The supervising engineering staff which conducts constant research into the new, the better way is composed entirely of specialists.

Specialists in Hartford branches in every part of the country are there to counsel with and advise you *wherever* your plant is located.

But there are no "prima donnas." This Company's first rule is team-work. All, together, work as one—to lessen the chance of accidents in your power-plant; to act quickly, resultfully, if disaster strikes.

Ask your agent or broker to place *your* boiler or machinery insurance with this pioneering organization—industry's choice for half of all engineering insurance carried in America.



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OLDEST IN THE COUNTRY, LARGEST IN THE WORLD. ENGINEERING INSURANCE EXCLUSIVELY

are texts a-plenty for evangelizing the shining truth that the world is ever seeking the new, the improved, the better way to get on with the business of life, let the times be what they will.

### Economic planning note

FOR long the government managers of the Senate Restaurant in the United States Capitol had been puzzled by the heavy patronage by Representatives, since the Representatives had a much larger restaurant of their own.

The mystery was solved by a comparison of Senate and House restaurant prices. On the Senate side the oysters cost five cents a plate less for little ones and ten cents less for big ones than in the House.

The House Restaurant managers cannot understand how the Senate can sell its oysters so cheaply. The answer lies in the \$35,000 a year Senate Restaurant deficit which is made good by a government appropriation.

The House Restaurant also has an annual deficit, but the amount is concealed among other items. It seems to be losing money for lack of the oyster business.

### Inside government competition

M. E. EISENHOWER, chief of propaganda in the Department of Agriculture, complains of the competition among federal and state agencies for free newspaper space. He says in his last annual report to the Secretary of Agriculture the problem has become "acute." He has solved it in part by establishing publicity outlets in every state.

The department's publicity is handed out at Washington, it is mailed direct to newspapers and magazines, it is distributed locally by state extension services which in turn push it out through the 3,000 or more county and demonstration agents over the country.

The 1938 appropriation for the department's Office of Information is \$1,474,770. In addition there are publicity offices in each of the 18 administrations, bureaus and services within the department, all spending, it is conservatively estimated, not less than \$10,000,000 a year on agricultural publicity by press, radio and motion pictures.

Others of the 80 or more major divisions of government—administrations, authorities, commissions, boards, departments, bureaus and the like—which have publicity offices envy the agricultural propaganda set-up. The Social Security Board has succeeded in matching it with publicity offices in every state, but departments such as Interior and Com-



merce feel hampered by the measly few millions they have to spend.

### Trade and banter

OUR penny saved is their penny earned. Coin machines in the New York subways sell 480,000,000 sticks of gum, 180,000,000 sticks of chocolate and 6,240,000 pounds of peanuts, or—if you prefer nice, round totals—about \$1,000,000,000 a year clicks into vending machines in this land of freedom where at least chewing, munching, smoking, drinking and reading are still matters of individual choice and mood. . . . The German Economic Ministry shortens the German shirt-tail two inches front and back, saving several million yards of cloth. . . . At Deauville, while a man may lose his shirt at any minute, it must be gay while it lasts: "bottle" green, which seems reasonable; "daf-fodil" yellow, which doesn't. . . . And in America, Bilbo of Mississippi brightens the Senate opening with a blue shirt and mauve tie. . . . 1,500 Paris bakers strike for a raise, or should we, in this instance, say "rise"?

American taste, according to alcohol tax statistics, runs: whisky, brandy, gin, rum, 86.5 per cent of total production being whisky. . . . John Hays Hammond, Jr., designs a fog light to penetrate thick fog for a quarter to a half-mile. . . . Intrepid chemists tackle that toughest of propositions, the liver of the buzzard, hoping to isolate whatever substance it may possess capable of digesting poisons and make it of use to humans. . . . While soda fountains should be contacting Dr. Mann of the Washington Zoo who tells of an exotic plant in the Dutch East Indies which—to quote the newspaper quote—"tastes like vanilla ice cream combined with fried opinions." Well, opinions have been handed to us in many forms, hard-boiled mostly, lots of them hard to swallow and practically impossible to digest—but fried? Oh, they say it was "onions." Well, typesetters would naturally get set in their words.

### Where it came from

IN RESPONSE to a request from a New York law firm, a New Orleans attorney recently rendered an opinion on the title to a tract of land in Louisiana. Back came a letter from New York saying that the opinion was O.K. as far as it went, but that title to the property prior to 1803 had not been covered satisfactorily. And here is what the New Orleans lawyer wrote:

Please be advised that in 1803 the United States of America acquired the Territory of Louisiana from the Repub-

## DICTAPHONE ANNOUNCES



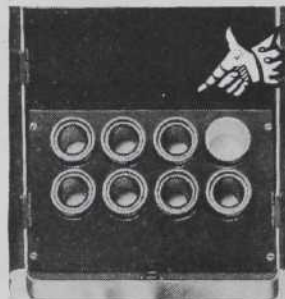
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☐ Send further information about Dictaphone.

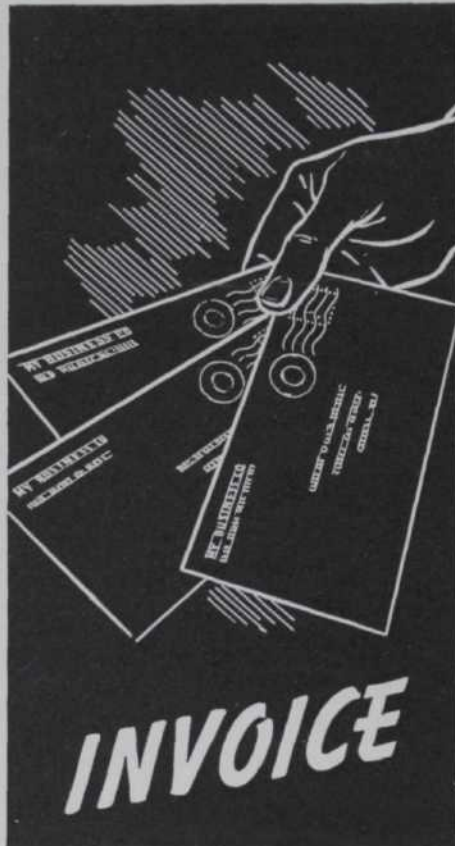
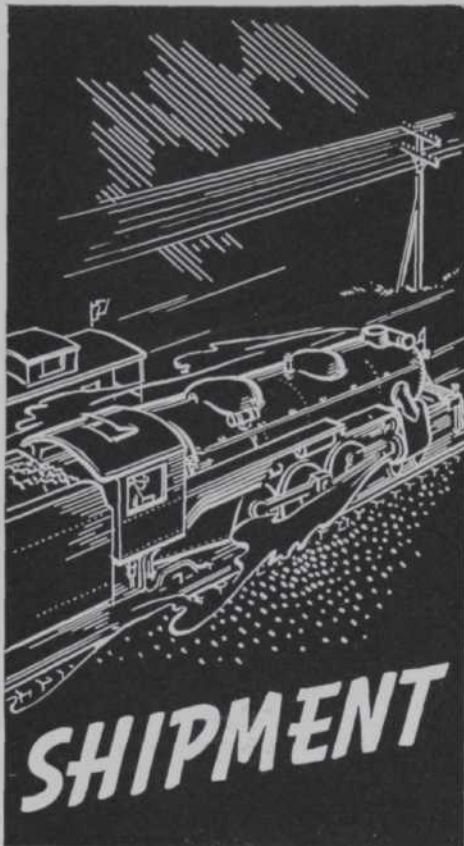
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lic of France by purchase. The Republic of France in turn had acquired title from the Spanish Crown by conquest, the Spanish Crown originally having had its title by virtue of the discoveries of one Christopher Columbus, a Genoese sailor who had been duly authorized to embark upon his voyage of discovery by Isabella, Queen of Spain. Isabella, before granting such authority, had obtained the sanction of His Holiness, the Pope; the Pope is the Vicar on earth of Jesus Christ; Jesus Christ is the son and Heir-Apparent of God; God made Louisiana.

### Quarter truths

REVIVING an old and exploded libel against industry, Secretary of Labor Perkins exclaims:

"I hope I never see another \$1.80 check for 60 hours' work."

It is doubtful if Secretary Perkins or anyone else has seen a \$1.80 check for 60 hours' work. What was seen was a check for \$1.80 representing balance due a worker after rent and light deductions, payment of grocery and clothing bills, and perhaps union dues withheld under the check-off system. Should the Government deduct rent, heat, light, grocery and clothing bills, entertainment and other expenses incurred during the month, from a Cabinet member's pay check, maybe sympathy could be aroused over his compensation.

### When solons let down their hair

WHEN our revered and august senators discuss parity prices, technological maladjustments, reflation, coordinated production and gold sterilization, their pontifical outpourings impress and awe us. But when these same solons come down to the atmosphere in which we mere taxpayers live, and talk of Shirley Temple in "Captains Courageous" or Jacob's coat of many colors, as they did in one day's debate, they can't get away with it. The proletarian knows his movies and Bible and such careless talk makes him wonder if some of the high economic stuff is on the level.

### The builders

THERE are many—too many—people who take a fiendish delight in tearing down the work of others. Ruthless politicians and soap box orators have in common the ability to criticize, to harangue the mob against those who have accomplished things. Their power to do harm is in proportion to their capacity to broadcast their follies.

But sound economic structures, as the home built upon rocks, will stand.

"The Builders," our cover photograph by G. A. Douglas typifies the partnership of business and labor—for they are inseparable partners—not in tearing down but in building up. They do constructive work, not

only in construction but in every activity that touches the life of this world's people.

### Big Business or the people?

AS IS USUAL when the country begins to take sides for Big Business or little business, NATION'S BUSINESS has been asked to clarify its position.

"Is it," we are asked, "the voice of Big Business?"

We first answered that question back in 1924 when a reader in Oberlin, Ohio, demanded "Are you for Big Business or the people?" Now, when the argument is renewed and the questioners are again demanding to know our position, we can do no better than to repeat what we said then:

Before answering we should like to ask a question: We don't know the size of our reader's business, whether it is \$10,000 or \$50,000 a year. We don't know whether he is satisfied with his present volume, or whether, in common with most normal Americans, he is working to attain greater opportunities for work and service. He need not be ashamed to admit an ambition to get ahead in this way. But as he goes ahead—and we are now coming to the question—where is the dividing line that marks the danger to society? Where does his honorable business become dishonorable because of its Bigness?

We must have this answer if we are ever to get together. At what point does success become sinister? Just west of Oberlin is a farmer named Jones, crippled by paralysis since a baby, who made such good sausage that today he ships it to every country on the globe. Just east of Oberlin a Mr. Davey took such good care of his neighbor's trees that the nation heard of him and his work and beat a path to his door. To the northeast, a poor candy-maker in Cleveland named White observed us chewing sticks and straws, capitalized that idiosyncrasy and built up the chewing gum industry.

At what point did Mr. Jones leave off being a good citizen to become pernicious? When he extended his business outside his village, his county, or his state? At what point did Mr. Davey become a menace as Big Business—when he started to doctor trees outside of Kent, or outside of Ohio? And Mr. White? As he peddled his chewing gum from store to store he was one of God's chosen noblemen, as the politician might say. At what stage on his way to international trade did he lay aside his virtue and fair dealing and patriotism for crookedness and treason to country and society?

It is obvious that we must have a meeting of minds on this point before we can answer the question. What is there inherent of virtue in small business that makes that same small business with its same policies, same management, anathema to thoughtless ones when it develops into Bigness? Don't you see how important it is to know this?

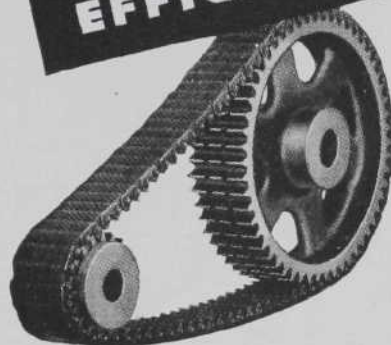
If you insist on an answer now to the question, "Are you for Big Business or the people?", we shall have to say, "We are for both!" And for Small Business, too, the Small Business which sees through shining eyes a higher goal and is striving through the small hours of the night to attain it. Don't take that away from us, please, because that is the opportunity of the individual, and individualism is the heart and soul of America.

# BE SCOTCH

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It's simply good business to use power transmission drives that don't waste power—that transfer all the power from your motors into production machines. Morse Silent Chains, up to 99.4%\* efficient, operate smoothly, quietly, dependably—pushing production up to new levels, sending maintenance and service costs to new lows. Teeth, Not Tension—that's the Morse principle of power drives.

Call in the Morse man in your territory. Ask him about the advantages that Morse positive drives can bring to your plant. You'll find that Morse Silent Chain drives cost no more than ordinary drives and actually save money in the long run.

\* Recent tests prove this greater efficiency with Morse Rocker-Joint Silent Chains.

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# LOOK WHAT YOU CAN DO WITH

**M**AYBE you're concerned with the installation of a new floor in your offices or a department store. Or perhaps you're a committee member responsible for choosing for a church, school, or club a floor which will be both beautiful and durable.

If so, it will interest you to know that Goodyear Rubber Flooring offers all the proved advantages of rubber at no more than the cost of many less durable materials.

It is comfortable to walk upon and quiet under foot. A fabric insert—similar to the breaker strip in auto tires—cushions each step and diffuses traffic shock. It is remarkably stain- and fire-resistant. Its smooth, resilient surface is not permanently marred by smoke, alcohol,

inks—or even most acids; a damp cloth keeps it immaculately clean.

To cap all these advantages—Goodyear Rubber Flooring is almost unbelievably durable—which brings its *true* cost down to a fraction of what you probably expect.

And now, to provide walls whose enduring beauty and cleanliness will match these floors, you can have Goodyear Wingfoot Wall Rubber, from floor to ceiling as illustrated.

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Here are floor and wall coverings beautiful enough for the finest home — tough enough for the busiest department store; at a cost that makes them practical for both!



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Whether for private homes, public buildings or business offices — Goodyear Rubber Flooring and Goodyear Wingfoot Wall Rubber provide floors and walls of permanent beauty and cleanliness.





## Can Soloists Outsing a Chorus?

**H**OW to know the voice of the people is a national issue in itself.

Currently, it is a political fashion to see only sinister influence and self-interest in the representations of organized business toward an enlightened public opinion. Group expression is put on the defensive.

One of the enduring characteristics of the American people is their ready willingness to join hands in any worth-while job that needs doing. Never could there be a greater perversity of judgment than the criticism of group action as something un-American. From the very first, the people of this country have practiced their ideals through organization. It is no mere happen-so that time and again teamwork has saved the day for this nation when fate hung in the balance.

In the present state of the official mind the representative quality of business opinion is recognized only when it issues from the lone citizen who stands clear of any alliance with his fellows. If it appear that he subscribes to the policy of an organization concerned with his economic welfare he at once becomes suspect as an advocate of preferential treatment in solution of the great problems which so intimately touch the affairs of every man—whatever the dimension of his bread-and-butter activities.

However the observer may reason the political strategy of compartmentizing business opinion by the economic stature of its contributing individuals, the attempt to divide their interest and stake must fail, by the very persistence of their underlying unity and sustaining cooperation.

A thousand men may descend on Washington and present their ideas of what ails the country and political expediency may turn the variation of their advice to its own account.

In the multitude of counsellors, as the proverb has it, there is safety. Also there is confusion.

The fact that there is now available an active instrumentality for formulation and expression of business viewpoints by orderly procedure does not often invite political acceptance. This agency, as defined by the Chamber of Commerce and the trade association, is distinguished by a voluntary membership. Men join because they perceive a community of interest. Investigation must always precede conclusion. Judgment is submitted to the practical test of results. Business men are willing to admit mistakes, to revise, to abandon old positions, to move on to new ground.

Because of the reasoned realism of these voluntary associations, they are feared by those eager to enlarge the domain of authority with new tentacles of power. Nowhere does the "little fellow" have greater freedom of speech. He is among those who speak his language—men who believe that democracy, like charity, should begin at home.

There is only artifice in the effort to suggest a rift between business men conditioned on the scale of their operations. Fundamentally, they are agreed on the need for a space of calm, for a stabilization of public policy, for dependable word on the direction in which government means to go.

What the political seers mistake for the confusion of the business community is nothing more nor less than the turbulent echo of their own confusion. As the high winds of conflicting doctrine continue to blow with hurricane force, who is presumptuous enough to contend that the times are auspicious for either counsel or councils when

Chaos umpire sits,  
And by decision more embroils the fray  
By which he reigns; next him high arbiter  
Chance governs all.

—R. C. W.



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# Preview of the New Tax Law

By HERBERT COREY



"We feel that the new tax law is a distinct improvement," says Representative Vinson. "It will eliminate inequities"

LOHR

**AN interview in which Representative Fred M. Vinson, Chairman of the subcommittee that drafted the new measure, explains revisions designed to end inequities in the income levies**

CONGRESS is full of hard jobs. The hardest job any one ever has, anywhere, is to separate some one else from his money. No one ever yet liked to pay taxes. Especially no one likes to pay taxes today when they are higher than any American ever saw them before, and come on the heels of . . .

Oh, well! Skip that about the depression and the emergency and the recession . . .

Federal taxes all stem from the same source. The subcommittee of the Ways and Means Committee of the House of Representatives. The chairman of that subcommittee is

Representative Fred M. Vinson. Tall, slender, dark, with a long face, lines cut rather deep, a way of glancing hastily at an interlocutor and then looking sou'-by-west in the direction of Ashland, Ky., where he has been going to get the news of his reelections; the mouth of a colonel in the regular army, its severity tempered by an occasional, fleeting, not to be relied upon, twinkle in his eyes. The kind of a man who wrestles with a problem all day and then takes it up in his dreams. I asked Mr. Vinson to talk about the new tax law to come.

"We feel that it is a distinct im-

provement," he said. "The corporate tax treatment will bring in the revenue we must have, and it will do away with many of the hardships and inequities complained of in the present law. I think it will be well received by business."

That new law will become a fact some time this month, if the anticipations are accurate. In its making, it has followed a well defined course.

All revenue measures must originate in the House of Representatives, by direction of the Constitution. The House entrusts to the Ways and Means Committee of 25 members (of whom seven are Republicans in the present committee) the task of assembling the essential information. In its turn, the Ways and Means Committee selected a subcommittee of nine members, to do this work. Three are Republicans. Robert L. Doughton of North Carolina, chairman of the main committee, is, of course, ex-officio chairman of the subcommittee.

The members of the subcommittee are all veterans of Congress. A greenhorn would not only be helpless but would be an impediment to progress, because taxation is the most complicated and devilish subject with which Congress deals. It directly affects the pocketbook of every living human in the United States. A mistake made in framing the tax laws may deal an almost mortal injury to that hardiest of perennials, the business of America. In its turn, world business would be affected. If too much revenue is provided, governmental extravagance is encouraged and the veins of industry



are tapped. If the revenue proves insufficient the Government borrows more money.

The nine members of the subcommittee have served a total of 61 terms in Congress. Chairman Vinson has been a member of seven Congresses. Allen T. Treadway, of Massachusetts, leader of the subcommittee minority, has been in 13. The others are Jere Cooper, Tennessee, five; John W. McCormack, Massachusetts, six; Wesley E. Disney, Oklahoma, four; Frank H. Buck, California, three; Richard M. Duncan, Missouri, three; Frank Crowther, New York, ten; Daniel A. Reed, New York, ten. Ex-officio Chairman Doughton has served in 14.

Some one has been available in the subcommittee to speak with authority on every phase of the problem of

ury's officials. Through its subordinate bureaus, the Treasury collects and checks out all money spent by the Government. Its representatives attended the meetings of the subcommittee charged with all the statistics possible.

Roswell Magill, Under Secretary of the Treasury, was called back to this post after a brief period of private life especially to deal with the tax problem. He was helped by Thomas Tarleau, his legislative assistant; Arthur H. Kent, assistant to Herman Oliphant, the general counsel of the Treasury, and various shifting groups of experts from the Bureau of Internal Revenue. The hearings were watched by Lovell H. Parker, chief of staff of the Joint Committee on Taxation, and his technical assistants.

country. It was their task to draft the bill in accordance with the recommendations made by the subcommittee after its hearings.

"After we had submitted our report to the full committee," said Mr. Vinson, "we then opened a series of hearings for the purpose of getting the public viewpoint."

### The public is heard

THE outsider is inclined to think that these witnesses should have been heard before the subcommittee prepared its report, but experience has shown that this would result in inconvenience. The statements of the witnesses fit in between the preparation of evidence and the drafting of the bill. The committee weighs this evidence. It might be likened to the pleas of counsel in court, which are followed by the judge's charge and the verdict of the jury.

"I want to say that the Treasury did not put a plan of action before us which we initialled and passed on to the House," said Mr. Vinson. "The Treasury officials came to us with their information and we questioned them and gave our views. The meetings of the subcommittee were all executive, of course. We just let our hair down, all of us. There were differences of opinion and we argued them out."

Some of the arguments were fairly vivid. Mr. Vinson did not say so, but the word leaked out through the closed doors of the subcommittee's executive session. No one would expect Mr. Vinson to say anything of the kind. Taxation matters, unfortunately, are always tied close to poli-

(Continued on page 76)



Lovell H. Parker, tax expert, who helped draft the bill as recommended by the subcommittee

taxation, its history and practice, during that period of rising taxes which began with the new income tax in 1913.

"Our first order of business," said Chairman Vinson, "was to gather information."

The primary source of information is, of course, the United States Treas-

Likewise by Middleton Beaman, chief legislative counsel, the drafting service. Parker is credited with knowing as much about tax matters as any man in the



Arthur H. Kent, from the Treasury, who helped provide information and figures



Nobody minds losing a little in a fair game, but, with income taxes, you not only can't win, you can't even quit playing



# Heads, They Win—Tails, We Lose

By HUGH J. GILLINGHAM

**D**ID you ever match pennies? Sure you have and you either won or lost and enjoyed it. You realized, of course, that the element of luck would eventually determine the winner.

But suppose your opponent used a tricky coin—one with two heads or two tails? How long would you enjoy your trimming? Not very long. Nobody minds losing a little in a fair and square game. But when you are not given an even chance to win, you soon lose heart and quit. The same principle applies in our income tax game. The only difference is that we cannot quit—we just have to keep on playing and paying.

Life is just a gamble but, in most instances, we are given an almost even break or at least the odds are not too heavy against us.

But when it comes to paying the federal income tax, it seems that the

**AFTER reading here a few of the things that are wrong with the income tax laws, you will want to turn back to page 15 to read again what is being done about them**

"cards are always stacked against us." In other words, we seem to be the losers before we have a chance to look at our cards.

Our present income tax system is more than 23 years old. Starting with the first revenue act way back in 1913, various new measures have been enacted including many novel schemes and experiments which have resulted in a conglomeration of conflicting rules, regulations and interpretations with respect to basic principles of income taxation.

Instead of improving with age—the most natural course—our system has gone the other way. Surely an experience of 23 years should produce a

better form of taxation—at least an equitable one. But, with the promulgation of each new revenue act, conditions have grown steadily worse until it is practically impossible for the average person to know what it is all about.

I realize the Government's need for revenue but there is always a limit to everything. It is also primary knowledge that, when something has proved itself to be openly wrong and thoroughly inequitable, the first thing to do is to correct the wrongs and to start anew.

The inequities in our income tax laws are many and are easily recognized. A few examples will show just



why it is that the taxpayer can't win.

In school, in our own personal matters, and finally in our business dealings, it has always been a simple ABC principle that if we bought something for \$100 and sold it for \$200, the transaction would, naturally, result in a profit of \$100. On the other hand, if the article cost \$200 and we sold it for only \$100, the loss would be \$100. But is this always the case? Not in Uncle Sam's judgment! To his way of think-

thing else. Assume that you have some extra money which you want to invest. (I said "you" because that is way out of my class.) You buy some real speculative stock; say, 1,000 shares of Sucker Gold Mines, Inc., at \$5 a share. All that only costs you \$5,000. Within the year you find, to your amazement, that the price per share has jumped to \$10. Overcome with joy, you unload the entire lot for \$10,000 and realize a profit of \$5,000.

ages. There is still a further limitation—that losses shall be allowed only to the extent of \$2,000. In other words, you pay taxes on gains no matter how large or small. Losses, of course, can be used as an offset against gains but only an overage of losses in the amount of \$2,000 can finally be taken as a deduction on your income tax return.

If you, at any time, should have total gains of \$6,000 and total losses of \$12,000—figured according to the brackets to which they applied—in most instances, you would be compelled to show a profit.

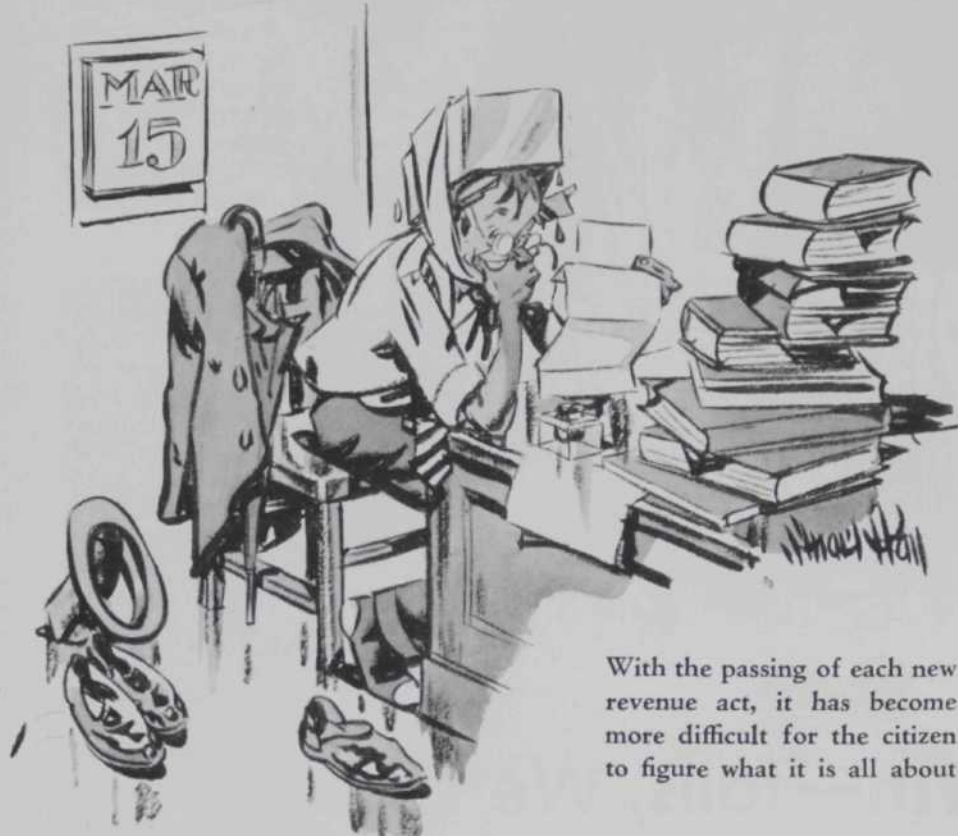
To illustrate further: suppose you had gains of \$20,000 derived from sales of securities held for more than one year but for less than two years—and had losses of the same amount derived from sales of securities held for a period of more than ten years. Now, according to Uncle Sam, you only have a taxable gain of 80 per cent of \$20,000 or \$16,000—but here's the rub. According to our good old friend, the loss of \$20,000 is only allowable in the amount of 30 per cent or \$6,000. Plainly speaking, the net effect is that, from a profit of \$20,000 and a loss of \$20,000, you have a taxable gain of \$10,000 for income tax purposes.

### Losses can't be carried forward

NOW let us assume that you and I have a nice incorporated business. In 1936 we showed a profit of \$80,000. Naturally, we would expect to pay income taxes on this real income and we will. But suppose that, in 1937, we sustained a loss of \$50,000. Of course, having no income, we would expect to pay no taxes—and we won't. But what becomes of this loss? Continuing, in 1938 we again show a handsome profit. Should we not be allowed to deduct the loss sustained in 1937 from this 1938 profit before being assessed income taxes? We should, absolutely. But is this the case? Not at all. We are required to pay our taxes on all our profits as we make them and to forget our losses as and when they occur.

At this time, the undistributed profits tax crops up and the fun starts all over again. In addition to paying our regular corporation tax, we now face this additional tax for not conducting our business as Uncle Sam thinks we should and paying out in dividends every penny we make. In other words, we have to stake our business future in trying to escape a stiff penalty for using healthy and wholesome business methods. The needs of a business do not concern Uncle Sam in the least.

Our own business, as we said, showed a profit of \$80,000 in 1936. On



With the passing of each new revenue act, it has become more difficult for the citizen to figure what it is all about

ing, a loss is not always a loss but a gain is always a gain.

Suppose you bought a home for \$15,000. In the course of a few years' time you added various improvements costing about \$3,000. After being in this house for a number of years, you decide to sell it. You get, say, \$20,000. Naturally, you have made a profit of \$2,000 which must be reported in your income tax return for the year of the sale.

### Losses are limited

BUT let's assume that you were forced to sell this house for \$13,000. What then? You know you have a loss of \$5,000. Does Uncle Sam? No, sir! According to his method of playing this game, on sales of residential properties, the profits are always taxable but the losses are unallowable as deductions. Why? I can't exactly explain it but he says it is because such transactions were not entered into for profit.

So much for that; let's try some-

Still playing the game according to his private rules, Uncle Sam says that this constitutes income and you must pay income taxes on it. Now look at the other possibility. Suppose this stock had, in the same period, dropped to \$1 a share and you sold the entire lot for \$1,000 to save what you could from the catastrophe. From this forced sale, have you not suffered a loss of \$4,000? You have, but Uncle Sam contradicts you. He says your pockets may be out the \$4,000 but, so far as income taxes are concerned, you have only lost \$2,000. How does this come about? Like this:

If that \$5,000 gain had been realized on the sale of a stock held for a period of from one to two years, you would only have to pay taxes on 80 per cent of the gain; if the stock was held from two to five years, on only 60 per cent; from five to ten years, on only 40 per cent; for more than ten years, on only 30 per cent. Nice, isn't it? But there are two sides to the story.

Losses are to be treated in the same manner and with the same percent-



this amount we will pay a normal corporation tax of from eight per cent to 15 per cent, computed as follows: From the net income of \$80,000, we deduct the credit for interest received from obligations of the United States of, say, \$4,000; the credit for dividends received (85 per cent of \$6,000, the total dividends received) of \$5,100, or a total of \$9,100, leaving a "normal-tax net income" of \$70,900. The first \$2,000 of this is taxable at eight per cent, or \$160; the next \$13,000 at 11 per cent, or \$1,430; the next \$25,000 at 13 per cent, or \$3,250; and the balance of \$30,900 is taxable at 15 per cent or \$4,635, making a total normal corporation tax of \$9,475.

But we have only begun to pay. We then start to figure out this new penalty tax which is based on portions of "undistributed net income" which are not in excess of certain percentages of the "adjusted net income" and at varying rates of tax.

Now that you have a perfect understanding of this process, I will continue.

All we have to do is to take the \$80,000, which is the "net income," deduct the credit for interest on obligations of the United States of \$4,000; the amount of the normal corporation tax of \$9,475, or a total of \$13,475,

leaving an "adjusted net income" of \$66,525. During 1936 we only paid out dividends of \$20,000, intending to leave the balance of our profits in the business to take care of commitments for 1937.

For this privilege of keeping our business liquid, we are forced to pay this undistributed profits tax on the "adjusted net income" of \$66,525, less the \$20,000 paid out in dividends, or on an "undistributed net income" of \$46,525. This tax, which would amount to almost an 18 per cent penalty, is calculated as follows:

Based on the  
Adjusted Net

Income of	Amount	Rate of	Amount
\$66,525			
First 10%	\$ 6,652.50	7%	\$ 465.68
Next 10%	6,652.50	12%	798.30
Next 20%	13,305.00	17%	2,261.85
Next 20%	13,305.00	22%	2,927.10
Balance	6,610.00	27%	1,784.70
Total.....	\$46,525.00	Tax	\$8,237.63

In effect, this tax simply amounts to an out-and-out penalty for keeping our business running according to practical business methods. Who knows, better than you or I, who have been connected with this business since its infancy, just how much capital will be needed for the ensuing year and just what the business prospects are for the years to follow? But then

who cares? Only you and I and our families—not taking into consideration the welfare of our 150 employees—and that seems to carry no weight at all.

### When loans are income

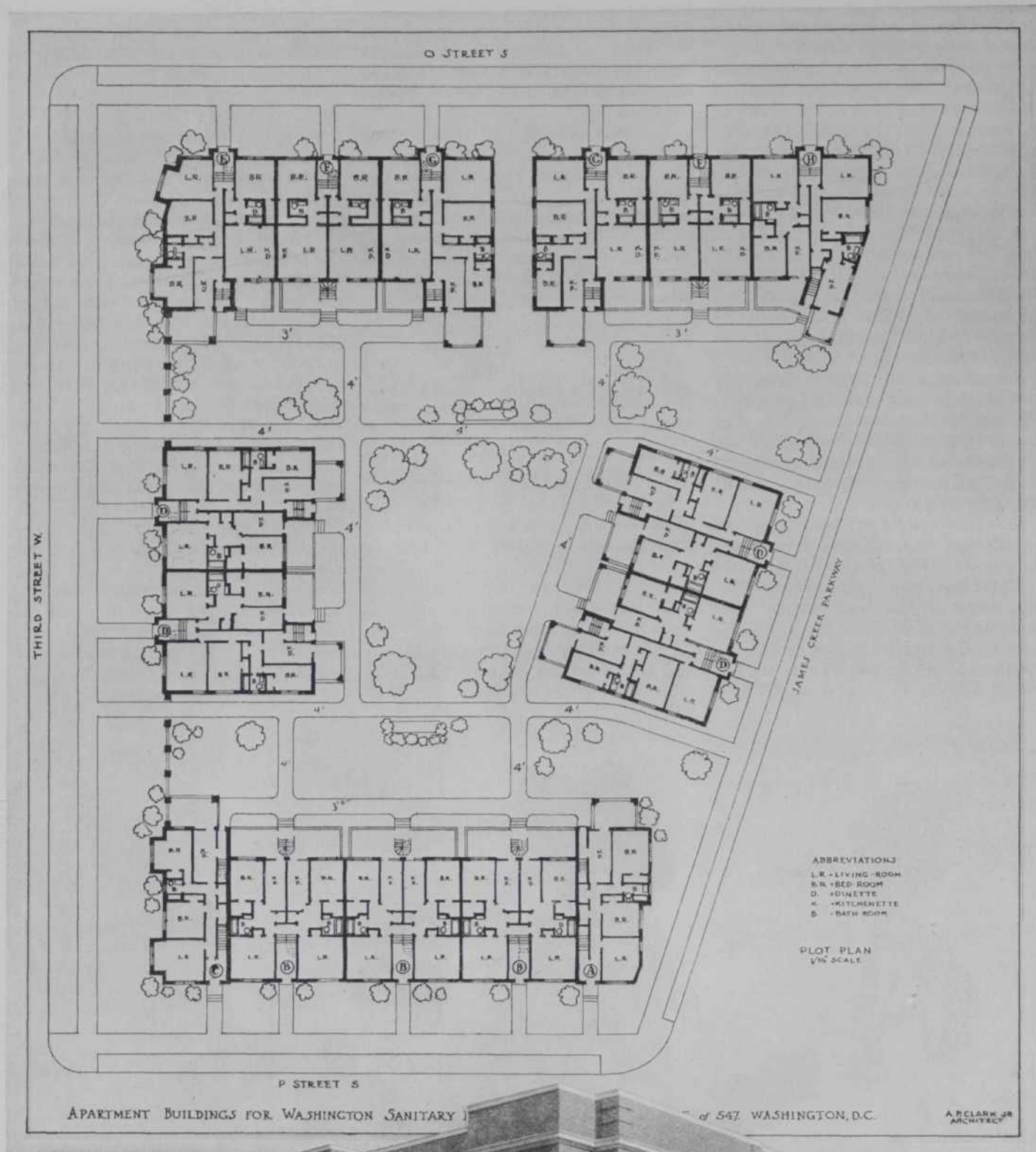
LET us go a step further and suppose that our business had been forced to go to our local bank on May 1, 1936, to borrow \$40,000 to finance the purchases of raw materials. Likely the agreement with the bank would not permit paying dividends out of profits until the loan had been paid. What then? We cannot forget our agreement with the bank or its restrictions—not unless we lose our self-respect as reliable business men. But, to retain this respect, we must pay a penalty tax of some \$8,000.

The date just used, May 1, is most important because, if we had borrowed the money on or before April 30, 1936, we might receive a "credit" to be applied against this tax. Even if we did come within the specified time, however, it is problematical whether we would receive the full credit of \$40,000. After playing around with figures in the manner prescribed by the regulations, Uncle Sam, by using

(Continued on page 92)



The profits are always taxable but the losses aren't recognized for deductions



Medium priced apartments of the Washington Sanitary Housing Co. (ground plan shown above). Rents run from \$32 to \$44 a month including heat, hot water and janitor service







Lower priced apartments for colored tenants. Rents range from \$12.50 to \$21 a month

# Philanthropy That Pays Dividends

By APPLETON P. CLARK, JR.

**DEMONSTRATING that sound business management, rather than subsidy, is the essential need in solving the problem of low cost housing**

**T**HE BASIC IDEA in the Washington housing companies was to demonstrate that it was possible to erect dwellings which could be rented for moderate sums and which would pay reasonable dividends to the stockholders. The founders called it "Business Philanthropy."

The rather unusual dilapidated buildings scattered through the streets and alleys of Washington were mainly the outgrowth of the large influx of freedmen who swarmed into Washington at the close of the Civil War.

To accommodate these people many shacks were hastily thrown up. Many other buildings of poor character were erected and remained to deteriorate rapidly.

Some effort was made from 1872 on to condemn unsafe buildings and some restrictions were imposed on new construction. However, no concerted effort was made to supply new sanitary low rental properties until 1897.

In that year, Gen. George M. Sternberg, Surgeon General of the United States, and Dr. George M. Kober,

Dean of Georgetown University Medical School, started the work with a number of prominent citizens, by organizing the Washington Sanitary Improvement Company and the first eight buildings were erected.

Later, in 1904, they also organized with about the same group of citizens, the Washington Sanitary Housing Company, having in mind the erection of somewhat lower priced buildings to be rented to pay a lower dividend.

## Practical slum clearance

THE first operation was to buy a block of ground just opposite a row of wooden shacks and erect 34 brick apartments. Because of the superiority of the newly erected houses, the shacks became unrentable and the owner demolished them.

The other company then went into

the same neighborhood and joined in the same class of work.

The two companies now have 1,034 apartments, 630 of which are for white and 404 for colored families.

These two companies work in harmony. Several directors are on both boards and some officers serve in both organizations.

The companies have worked by example and moral suasion. They never had any legal authority to vacate or condemn undesirable houses.

Credit must be given the founders who worked for many years without compensation.

In the beginning the type of buildings to be erected were carefully considered. It was decided that large multi-family apartments were undesirable or at least to be avoided if possible and that, although individual houses would be the most satisfactory considering the results desired and with due regard for economy, two-story apartments represented the best solution of the problem.

The company does not disparage the idea of people living in their own homes but it does believe that it is



better for this class of tenant to be in a well organized and supervised group of apartments or dwellings than to attempt individual ownership which frequently results in unkempt and run down properties.

We think experience has proved this and these companies have steadily adhered to the plan adopted.

These apartments range in size from living room, bedroom and bath to larger sizes which have three bedrooms. The buildings are all of brick, with large rear porches which, in the later houses, are built of reinforced concrete.

accommodating 108 families, in four rows of buildings, one of the projects of the Washington Sanitary Housing Company. All tenants are colored.

### Rentals are low

THE rentals are:

Two rooms and bath \$12.50 a month.  
Three rooms and bath, from \$15.50 to \$21 a month. There are, however, only eight apartments at the highest figure. The average for three rooms and bath is \$16.87. Each apartment also has a large porch.

The rents include the water rates.

were no repairs for which the tenant was responsible. He received proportional credit if the repairs amounted to less than the month's rent.

This plan was in effect a good many years but recently the companies decided that its advantages were doubtful and are changing to a 12-month rental plan in the recent developments.

It was found that the tenants would not report necessary repairs, especially those to plumbing fixtures. They would let leaks run indefinitely and, as the company pays the water bills, this became an item of consid-



Higher priced group. Rents range from \$36.50 to \$49.50 with heat, hot water and janitor service. Organized in 1897, has never failed to pay a dividend—present rate is 5 per cent

The earlier buildings had coal stoves and ranges. One later group was supplied with gas heaters, which were of great benefit to the company by avoiding the chopping of wood on the floors, the handling of coal and ashes.

The most recent groups have central group heating plants, hot water supply and janitor service.

In the properties of both companies, the accommodations may be divided roughly into two classes:

First: The apartments where the tenants provide their own heat, hot water and service the buildings. Here the rents run from \$12.50 to \$30 a month.

Second: The apartments where the owner supplies the heat, hot water and janitor service. These have tile bath rooms, and other more modern equipment. These buildings are built singly, or in small groups. The rents in this section range from \$32 to \$49.50 a month.

As many people are most interested in the lowest rental group we will give some details of such a block.

This group consists of a solid block,

The average occupancy of the three-room apartments is slightly less than three persons each, and the average for the two-room apartments is 2.45 persons.

The average rent paid in this group is 24¼ per cent of the income reported as received by the tenants.

The payments of rents is satisfactory and the losses between tenants and legal proceedings are small.

The properties of the two companies lie in five groups, each forming a compact unit.

In each group, except one, there is a resident manager with an office. This makes it convenient for the tenants to pay the rent.

The local office also enables close supervision of the activities of the tenants and for the care of the properties.

When the companies were started, a scheme was adopted whereby the tenant would receive one month's free rent if no interior repairs were required in the year period or if there

erable expense. Moreover, the cost of repairs was frequently increased.

The general finances of the companies may be of interest.

The Washington Sanitary Improvement Company has a net worth of \$1,120,354.18. The capital stock is \$500,000; the difference being for depreciation and surplus.

This company paid dividends from its inception to 1923 at the rate of five per cent, and from thence to the present time at the rate of six per cent a year.

The Washington Sanitary Housing Company has net assets of \$340,213.14. The capital stock is \$200,000; the difference again being for depreciation and surplus.

This company paid dividends from the beginning for three years at the rate of four per cent, and from thence to the present at the rate of five per cent a year.

In this connection it may be of interest to note that some of the orig-

(Continued on page 90)



# The Railroads Point a Moral

By EARL REEVES

**THE public will listen to business as well as to its critics if business will take advantage of its opportunities to tell its story in a straightforward fashion**

**T**HE TIME, about two and a half years ago. The speaker, John J. Pelley, who had been named president of the new Association of American Railroads a few months earlier. He said:

In a period of difficulties for all of us, and when it has been natural perhaps that troubled minds should have had an overdose of pessimism, it has been said that the railroads have made no progress in 30 years. Or perhaps it was 40. It has been said also, I believe, that our locomotive is identical "in principle" with the one Stephenson built in 1829.

Looking back, it seems to me that a good many things have been said loosely; and that those of us who are in the railroad



LOHR



LOHR

**More than a million passengers ride on trains every day and many of them have an opportunity, by posters and booklets, to see some part of the railroad story**

business have been very busy, and *we* have said nothing.

This statement, made to me in an interview, is picked as the "golden text" of this article for a reason. The railroads had decided that they had better try to "tell the world."

Certain addresses by leaders in business and industry in subsequent months seemed to go further than that. These spokesmen said tacitly, and some almost literally:

*"We must tell the world; or else—"*

One of the business spokesmen was Owen D. Young. Accepting the chairmanship of the General Electric Company, he declared:

Only one danger confronts us. The future electrical development of the United States is bound to be enormous.



No one can prevent it, and all must profit by it. The danger is that the growth of our industry will outrun public understanding; that people will see and fear our size without understanding our service. We must make it clear to all that progress consists in lifting the burden of routine and drudgery from human shoulders to the tireless shoulders of the dynamo; that every loafing stream is loafing at the public's expense; that every added kilowatt means less work for some one, more freedom, a richer chance for life.

For eight years, now, business management has been fighting for recovery. Business reached into the sock for nearly \$30,000,000,000 more than it received, billions spent to enlarge employment, to raise wages, to modernize plants, to advance recovery, all on faith. And yet the very "business" which has done that is being pressed to aid recovery. It remains a tenable idea in the public mind that "business" must be dragooned into doing its part.

"Business" in general does not seem to have done a very good job of explaining itself to the whole constituency. That, it seems, is why business in general might well note what our railroads have done about that—because our railroads have actually started out to do the job which business leaders have been talking to each other about.

Think back a few years. The railroads were a great, national "problem." Constantly, their "plight" was discussed. The motorcar had taken away passengers; the truck, freight. Free waterways added competition. The public purse aided this new competition with free roadbeds and it had many other advantages as compared with the closely regulated railway industry.

The symposium on "What's the matter with the railroads?" was a hardy perennial. Their handicaps and failings were stressed. On legislative floors it

was always open season for railway pot shots. There was prolific production of railway cure-alls.

Worse, through all this there developed loose acceptance of the idea that the railroads were through. They had fallen asleep; they were decaying, dying; time and progress had passed them by. Here, many supposed, was another obsolete monster like those for whose bones scientists search, destined to disappear because of inability to adjust itself to a changing environment.

### Railroads are not beggars

THREE-QUARTERS of our railroads were in the red, one-quarter in receivership. In depression emergency, Uncle Sam was lending the railroads money, as he had during the war emergency. It was forgotten that those war-period loans had been repaid with interest and it was overlooked that the new loans were being repaid. The fact of government loans only seemed to add another false view—a picture of the railroads as a decrepit mendicant, tin-cup in hand.

Finally, all these viewpoints culminated, four years ago, in the law appointing a United States official to diagnose the ills of the railroads, prescribe remedies; and, in general, show the railroads how they ought to be run.

Business feels that it has been misrepresented and is misunderstood. But surely no branch of it has faced a general state of mind quite as low as that which confronted the railroads when they decided they had better try to tell the

true story about themselves. The program for telling the world about American railroads was initiated with some reserve and no small amount of misgiving. But initiated it was, and it has gone places that were hardly imagined when it started. It is my own emphatic conviction that the thinking, planning and acting which followed—or the "philosophy" of it all—has led to an amazing *three-ply* result: not merely more public good will, but marked improvement also in governmental and labor relations.

One day, you will recall, an engineer leaned out of his cab window, in full-page magazine advertisements, and said to the reader:

"We're doin' OK, buddy!"

The text told a lot more, terse and factual—about how "OK" the railroads were in doing their job. That wasn't true in dollars, though by then more than half the mileage was in the black; but it wasn't a dollar story the railroads needed to tell. The first point of attack was upon the dodo-bird myth, the untruth about stand-still, horse-and-buggy railroads alleged by some to be drifting toward extinction. Actually, the years in which this myth grew had been a period of revolutionary change

(Continued on page 94)



Railroad public relations are the sum total of all railroad people's contacts with everybody else



Repetition is an important part of the railroad formula. Travelling exhibits are only one phase of a many-sided program



# Uncle Sam Eyes Futures Trading

By HERBERT M. BRATTER

APPARENTLY Government regulation of the commodity exchanges is here to stay. The question is: What kind of regulation will we have?



HARRIS & EWING

J. W. T. Duvel heads the C. E. A. supervising futures trading in 13 commodities



EWING GALLOWAY

Without commodity exchanges, nation-wide prices for cotton and grains would not exist, the farmer would not know the value of his product or the miller what to pay for grain

**F**EDERAL regulation of trade and industry has witnessed much expansion since the depression. While recent laws are admittedly in the experimental stage, the business man affected must face the fact that the general public, having attained the present degree of control over trade practice, is extremely unlikely to relinquish its influence. It will indeed continue to seek new controls.

The federal Government now possesses largely parallel regulatory powers over the securities and commodities markets.

Commodity exchanges are important, since they provide the arena where demand and supply come to grips. Futures trading is the mechanism which measures the value of important products and it plays a vital rôle in the storing, marketing, financing, and processing of these stuffs of life.

Without commodity exchanges, na-



tion-wide prices for cotton, corn, wheat or barley would not exist. Instead, these prices would be on regional, even on county, bases. Without organized exchanges and quotations transmitted promptly to all those interested, the farmer would have no good idea of the market value of his product, nor would the miller know what to pay for his grain.

Not long ago in China, where communications are poor, the Government collected price data on various products. In various provinces, cotton was selling simultaneously at prices ranging from 78 to 112. Imagine the confusion in our markets if cotton sold at eight cents a pound in Tennessee, ten cents in South Carolina and 11 cents in North Carolina. Imagine the protests if the American daily newspapers and the radio no longer carried future prices, reflecting the combined judgment of the entire market as to the value of wheat, corn, or cotton. In America, unlike China, 90 per cent of the cotton crop, the product of more than 2,000,000 growers, is merchandised with the use of futures trading for hedging purposes. In 1937, the Senate Committee on Agriculture and Forestry reported that "practically all cotton bought and sold is . . . based on

the price at which cotton futures . . . are selling. . . ."

Futures markets offer, at small cost, a means of price insurance to both seller and buyer. According to an Agriculture Department report, futures trading reduces costs of merchandising by reducing the risks from price changes and by effecting savings in interest charges and in capital requirements. Another government consultant similarly infers that hedging and arbitrating increases merchants' profits, that this increase is at the expense of speculators, and that competition forces this profit to be passed on to the producer and consumer. That the larger commercial interests resort to hedging this consultant regards as proof of its long-run superiority to speculative price risk.

### Hedging lessens price changes

DEPARTMENT of Agriculture data indicate that futures trading tends to lessen the range of seasonal price changes although increasing their frequency. As a final service of much value, futures trading aids greatly in the financing of the products concerned. Traders can borrow more money on hedged than on unhedged com-

modities since hedges protect banks from serious loss.

As already indicated, commodity exchanges provide a year round and nation-wide market for crops which otherwise would have to be sold soon after harvesting. The immediate sale of large quantities of wheat, cotton, or corn within brief harvest periods to the consumers of such commodities would severely depress prices.

The future market provides a place for registering in advance of harvests the price expectations of those who are studying the demand and supply factors. It thus tends to make for gradual and less extreme price fluctuations. Moreover, the activity of speculators, increasing greatly the volume of trading, tends to provide a broader and more stable base and increase liquidity.

The Senate Agriculture Committee says:

Without the outside speculator, the surplus crop would have to be carried by those engaged in the business, and those . . . would not be willing to carry it except at a price which would not only give them a margin of anticipated profit, but compensate them for assuming the speculative risk.

Not only the producer and the processor, but the speculator as well, de-

(Continued on page 86)



Eighty-eight per cent of the grain transactions in 1936-37 were handled on the Chicago Board of Trade, shown here. The C. E. A. controls not only this, but 15 others as well

KAUFMAN-FABRY



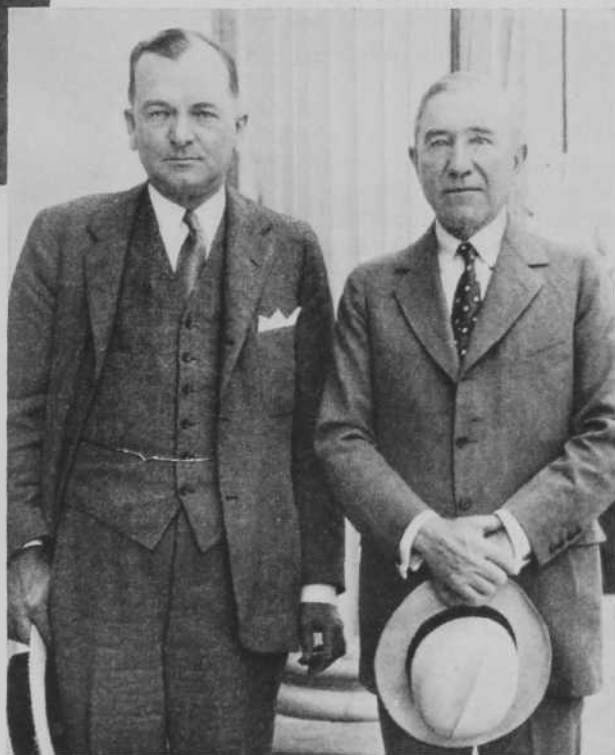
# Leaders in the March of Business



John W. O'Leary, Harper Sibley, Lewis E. Pierson, Silas H. Strawn



J. Howard Pew



Fred W. Sargent and former Congressman Fred Britten



Thomas E. Wilson

**LEWIS E. PIERSON**, chairman of the Irving Trust Company, who with president Harry E. Ward issued a joint report to stockholders with a warning that "abnormally abundant credit and abnormally low interest rates, if long continued, are likely to create more problems than they solve."

**J. HOWARD PEW**, president, Sun Oil Company, who announced a program of plant expansion with a capital outlay of \$11,000,000 in 1938. Expansion of the two principal refineries at Marcus Hook, Pa., and Toledo, Ohio, is included. Most of the money will go for wages.

**THOMAS E. WILSON**, chairman, Wilson & Co., Chicago packers, who is urging producers and packers to raise a \$1,000,000 fund for advertising to increase meat consumption. Says meat consumption has fallen from 146 pounds per capita of 30 years ago to 120 pounds today.

**FRED W. SARGENT**, president Chicago and Northwestern Railway which recently placed in service nine new streamlined, steam locomotives on the Chicago-Omaha run and asked for bids on 12 streamlined passenger coaches for the Chicago-Minneapolis "400" speed train.

**R. W. RUDDON**, recently chosen head of the Federal Motor Truck Company, only manufacturer of motor trucks exclusively in Detroit. General manager the last ten years, he has played an important part in increasing the company's production capacity from 60 to 1,000 trucks a month.



R. W. Ruddon



# Land Ownership Won't Make

By J. GILBERT HILL

**STRIPPING** the ballyhoo from the "farm problem," Mr. Hill submits his opinion of what it is and what business can do

ONE out of nearly every ten Americans—2,654,621 families or 13,220,000 persons—constitutes a prospect for establishment in a private business by the public treasury. That is what complete elimination of farm tenancy through federal financing of individuals for purchase of farms really signifies.

The 1935 farm census counted 13,220,000 persons actually living as renters or share croppers on "farms." That same census revealed that, although



England solved her farm problem by adopting a tenant system under which, today, 90 per cent of her farms are operated by tenants



When agriculture came to grief in Denmark, the answer was found in stimulating farm ownership and educating the farmers

their value was deflated about 35 per cent between 1930 and 1935, the nation's farms were still worth \$32,858,844,012 or \$4,823 each.

If the Government should finance the purchase of a business for every farm tenant family at \$4,000 each, the cost would be nearly \$11,000,000,000.

Our total farm tenant problem probably is nearly half again these staggering figures since the 1935 agriculture census recorded as farmers only 25 per cent of the nation's population. However, the 1930 general census classed 43.8 per cent as "rural" because they lived outside incorporated cities.

Industry must have the farm market to exist. Every study proves it. Statistics compiled by the National Farm Chemurgic Council, for instance, show total wages paid by industry each year for the past 15 years are always slightly less than total farm income. That's the business man's stake in agriculture.

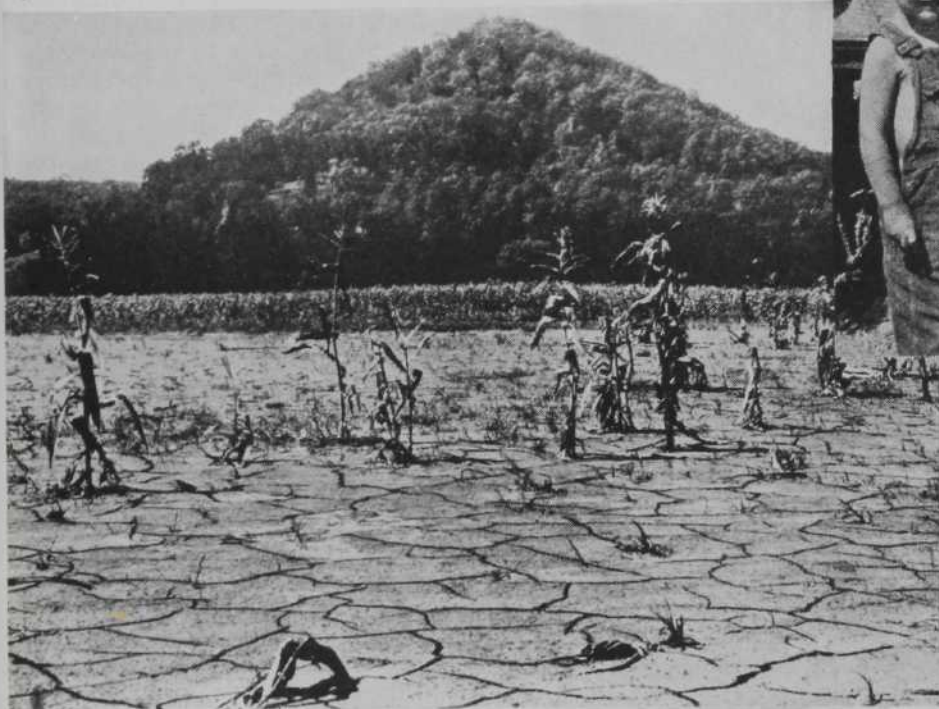
But that doesn't mean we must accept every political proposal for farm prosperity!

For instance, proposals for financing farm home ownership presume that, if a man owns his land—is proprietor of his business, he automatically becomes prosperous and a good customer for industry.

That's silly! Oklahoma, for instance, was opened for settlement April 22, 1889. On that day every man living in Oklahoma was a debt-free landowner. By 1900, in 11 years, Oklahoma had 44 per cent farm tenantry. By 1935 it was 61.2 per cent and it was estimated fully half of the remaining 38.8 per cent listed as home owners were under



# Smart Farmers



Discouraged city families are returning to worn-out farms faster than they can be moved away by resettlement schemes

Soil destruction began with owners but tenantry gets the blame



EWING GALLOWAY

Studies reveal that agriculture in at least one state—Oklahoma—is in the midst of an industrial revolution. Machines make large farms larger and small farms smaller





The movement back to cheap, small tracts is inevitable so long as people think of the farm as a refuge. Denmark found a way to make the movement pay



Dust storms of the past few years have helped dramatize the farm situation

mortgage. Dust storms and floods have dramatized the farm situation. Little public thought was given the question until people began to dig soil from eyes and ears after a dust storm, or shovel mud from parlors, factories, and stores after floods. When farms—as well as farmers—began to arrive in town, people began to worry.

These casual observers can't miss tenantry with all its abuses, social and economic. It's under their noses. It is under the tenant system that floods and dust storms have swept the country. Then, these observers find, scientific agriculture would conserve most of that soil but science is ignored under tenantry. Therefore, tenantry, and ten-

antry alone, is responsible. Tenantry must go! Far too many farmers rise *en masse* to join the hullabaloo. They have wasted their soil—our soil. They have mismanaged their businesses. Now, they are well started toward making a treasury raiding racket of a sincere attempt to solve the farm problem. "Farm Relief" has been a plank in every political platform for 20 years.

### They go broke but continue

FARMERS who go broke tilling the soil don't leave it. They merely turn title to the land over to the mortgage holder and continue to ship fertility away as grain and cotton without setting aside anything for depletion.

Even with this abuse, however, the answer isn't to destroy tenantry unless it is proved conclusively that tenantry is the only factor preventing profitable agriculture and preservation of the nation's resources.

Our agricultural problem must be solved. China failed to solve hers and the world knows the results. Dr. Peter Nelson, agricultural economist, recently reviewed the success of two other nations, however, in a government publication—England, where agriculture flowered under tenantry; and Denmark, made prosperous by home ownership. We can take our choice, it seems, but close study gives us clues for meeting our own problem.

England once had general farming, producing grain, vegetables, meat, dairy products and forage. Farms were small. Each unit supplemented

(Continued on page 98)



Under scientific agriculture the land would not have been stripped of protecting foliage leaving it bare for the wind to do its worst

EWING GALLOWAY



# Weaving the Sands of the Sea

By EDWARD BRECHER and  
PHILIP DUNAWAY



A pretty girl tours a glass factory, wonders if some day she will wear dresses made from this new material



First step in making glass cloth. A marble dropped into this machine emerges as filaments 120 miles long

**WHEN** machines were first used to make glass everybody predicted that the result would be wide unemployment. Today glassmaking employs more men than ever before. Here is one of the reasons

**A**LL things may be woven," wrote the poet Dante six centuries ago, "even the sands of the sea." Today the glass-makers are weaving sand—tons of it daily. Because, out of sand, plus soda and lime, they are making almost invisible threads of glass. From these they are weaving filter cloths, curtains, and wall coverings. They are spinning lustrous yarns of glass for fire-resistant textiles and for electrical insulation. They are producing fabrics that are as soft as cotton, as sheer as silk, or as tough as canvas.

In fibrous guise, glass retains all its invaluable properties, except rigidity and brittleness. In addition, it can be cut and sewn, woven, knitted, braided, matted, and fabricated in a dozen other ways. Fibrous glass is embarking on a career as industry's newest basic raw material.

There's nothing new about the *idea* of pulling glass into threads. Dante's Venetian contemporaries dipped a rod into a pot of molten glass and drew from the sticky mass long slender filaments flexible enough to wind around vases and tableware as decoration. Much more recently, the Germans, spurred on by their World War lack of industrial fiber, improved on the Venetian technique.

## Glass fiber on a bicycle

**THEY** attached a strand of glass drawn from the furnace to the rear wheel of a jacked-up bicycle. A girl, working the pedals with all her might, was able to wind up four or five miles of glass fiber an hour on the rim of the wheel. The product was coarse, irregular, and none too pliant; but chopped,

or crushed, it made a passable substitute for asbestos.

As early as 1892, Americans began to toy with the stuff. In that year the Libbey Glass Company tailored a dress of silk fabric interwoven with strands of glass thread for an actress of the day, and exhibited it at the Columbian Exposition. Since then glass-dress stories have popped up from Paris, Hollywood, and points between, and we have been deluged with accounts of trout caught on glass fishing lines, and robins' nests built of glass yarns.

But glass fiber for decoration, for war-time emergency, or for publicity is very different from glass fiber as a staple article of commerce. To justify the title "basic raw material," technicians have had to step up both quality and quantity.

Even a fourteenth century Venetian



could produce glass fiber, but he couldn't draw it one-twentieth as fine as a human hair, nor could he manufacture enough of it daily, as Corning Glass Works does, to reach the sun, and enough more, as does Owens-Illinois, to reach back. He couldn't control the size and chemical composition of his fibers to the last decimal, and he couldn't make it cheap enough to compete with other fibers or to capture markets of his own.

### Continuous production of fiber

THESE are the achievements of American technicians and business executives. Their accomplishments, and their methods as well, are worth examining.

The factory at Newark, Ohio, where Owens-Illinois manufactures its glass fiber, is an object lesson in product engineering, compact, automatic, and continuous from end to end. If you remember those great roaring pits of shooting flame and molten glass, the "glory holes" of the old glass works, then you would be astonished by the contrast, because here the melting is

done in trim little electric furnaces no bigger than kitchen stoves. Small glass marbles, exactly like those you played with as a boy, are stored in what looks like an office water cooler just above the furnace, and are released one at a time to be melted at 3,000 degrees Fahrenheit.

Inserted in the furnace floor is the heart of the whole glass fiber process: a bushing, or plate, pricked with tiny holes. Its exact composition is a closely guarded trade secret, although you need not be a Sherlock Holmes to discover that it is a precious metal alloy. Its task is a tough one. It has to withstand heat, pressure, chemical action, and abrasion. In addition, it has to strain the glass through its 102 pinpricks so that the emerging filaments will be just two ten-thousandths of an inch in diameter.

Gravity begins the process. The marbles roll out of the bottle neck into the furnace. When melted, the glass drips through the minute holes below. But gravity isn't fast enough, so the engineers have added high pressure steam blowers which converge down-

ward on the molten glass as it strings like molasses through the bushing. Jets of steam seize the filaments, pull them, stretch them, break them into eight, 12, or 16 inch "staples," and pile them in a trough. There the staples or "slivers" are gathered like wool by mechanical fingers which card them, twist them into yarn, and turn them out wound on spindles to be further processed on regular textile machinery.

That's the way short cotton-like glass fibers for coarse cloths are manufactured. The same kind of furnace, however, also produces fine, rayon-like continuous fibers. To do this, no blowers are needed; the attendant simply grasps the filaments as they worm their way slowly through the perforated alloy plate and fastens them to a revolving drum. The drum then pulls them out as fast as it can turn—drawing some 60 miles of fiber a minute.

### Long, unbroken strands

THE fibers are theoretically endless; actually a 10,000 mile unbroken strand is no novelty. It is hard to believe that each quarter-ounce marble will yield nearly a mile of thread of 102 filaments.

What happens to the filaments after they are wound on the spindles is exactly like what happens to any other textile fiber. They may be gathered untwisted into fleecy yarns (not unlike Bemberg yarns to the untutored eye) or given a single twist to make a soft strand, or half a dozen of these strands may be twisted to produce a strong tough thread not unlike number 50 cotton.

Color? That's easy. Glass fabric won't take a dye, of course, but you can give it color simply by using tinted glass marbles in the electric furnace. Textile looms can weave patterns of

*(Continued on page 82)*



Glass fibers can be handled by regular textile weaving machines, made into heavy cloths or light ones



Glass wool, used for insulation, sets production records today. It isn't as fluffy as it looks in the photograph



# A FIGG FOR PROFITS

By PAUL McCREA

**T**HE AUDITOR pushed open the door and strode unannounced into the private office. He threw the ledger sheets on the desk of J. Warburton Figg, President of Fig, Figg & Figg. Before the cold contempt in his eyes J. Warburton recoiled fearsomely.



"There it is, in black and white," the auditor snarled. He folded his arms and glared haughtily down his nose at the cringing president.

"You think it is true, then?" J. Warburton reached a trembling hand toward the ledger sheets, then drew back as from a serpent.

"I know it is true!"

"No! No! No!" J. Warburton shrieked. He threw his arms protectingly across his head as though to avoid a blow. The auditor said nothing.

In the outer office the rhythm of busy typewriters hesitated for a moment as girls glanced at the president's open door and then inquiringly at each other.

J. Warburton raised a cautious eye above his forearm.

"Close the door," he whispered.

"No!" The auditor was firm. "Let them hear. Soon the whole world will know."

Again J. Warburton looked at the accusing ledger sheets.

"Is it bad?"

"Contemptible!"

"There must be some mistake. You have forgotten something."

"It's all there."

"Did you include the undistributed profits tax?"

"Certainly."

"The social security tax?"

The auditor nodded.

"The income tax?"

"Yes."

"The manufacturers' excise tax and the corporation franchise tax?"

The auditor's finger traced a line on the ledger sheet.

"Right there."

"The income tax? The real estate tax? The personal property tax?"

"Everything, I tell you."

"Maybe you forgot the state taxes"—the auditor shook his head—"the municipal taxes? The county taxes? The township taxes?"

"They are all paid, I tell you."

"And it still shows?"

"Exactly."

J. Warburton leaned insinuatingly across the desk.

"Couldn't we juggle the books?"

"For shame!"

J. Warburton slumped. The auditor spoke quietly but with infinite bitterness.

"I have suspected that you were a Tory, an economic royalist. Now I know it. That sheet shows it beyond dispute. But I didn't know you were also a coward. Juggle the books, indeed! Be a man! Confess! Take your medicine!"

"I can't stand it. Think of my family! My children! To go through life knowing that their father—"

He buried his face on his crossed arms and sobbed. For a moment the auditor's face softened.

"There is, of course, one way out."

For a long moment J. Warburton continued to sob.



CHARLES DUNN



Then he raised his head slowly to look into the auditor's eyes.

"You mean?"

The auditor shrugged his shoulders. J. Warburton's face blanched. His groping fingers closed on a letter opener, tightened. His knuckles whitened. The letter opener snapped.

The sound roused him. His jaw set. He stood erect.

"You're right," he said. "It is better so."

The auditor studied him critically. Then he held out his hand. J. Warburton took it in a firm grasp.

"That's the J. Warburton courage I expected," the auditor said. "No hard feelings."

"None," J. Warburton told him. "You have only done your duty. I alone am to blame."

The auditor walked away, closing the door quietly behind him. J. Warburton stood as a man in a daze. Then, with sure, quick motions, with hands that did not tremble, he picked up the ledger sheets, folded them, tore them across and across, again and again. He dropped them in the metal wastebasket and threw in a lighted match. As they blazed, he set his hat at a jaunty angle. With his cane, he prodded the blackened ash in the basket. When no scrap of paper remained, he walked from the office, smiled cheerfully at his secretary, and strode down the corridor to the elevator.

In the street, he turned toward a nearby store where a sign read "Guns and Ammunition."

As he walked, a mongrel dog, rising from the gutter,

followed at his heels. At a corner, the beast pressed against him, whining. It rose on hind legs, forefeet propped against his knee, and looked deep into his eyes.

J. Warburton smiled and pushed it down kindly.

"No, pup," he said, "I am unworthy, even, of your friendship."

But the dog persisted. It rubbed against his legs. It barked. It leaped ecstatically trying to lick his face. Failing, it caught his hand in its mouth. In vain, J. Warburton tried to avoid it.

Then, suddenly, the stern look left his face. In its place came a victorious smile. With the dog still at his heels, J. Warburton walked past the store selling guns. On down the street and on—to the municipal building.

There before a caged window, he stopped.

"I want a dog license," he said. "Male, brown, and his name is 'Savior'."

"Two dollars, please," said the clerk.

A moment later, surprised passers-by were startled to see the dignified J. Warburton Figg sitting on the steps of the Municipal Building, his arms around the neck of a squirmingly happy mongrel dog and to hear him muttering; "Thank you, pup, thank you! Except for you, my business would have shown a profit but that two dollar dog tax saved me. Now the Government has it all. You have made me a respectable man again."

## The Driver is Eating the Oats . . .

IN 1890, five cents of each income dollar in the United States was taken for all government purposes, state, federal, and local. Today government agencies spend 35 cents of each earned dollar.

The United States was then leagues ahead of other nations in its economy of government, the nearest rival spending four times as much, the great majority of nations spending from 30 to 35 cents or one-third their income.

The people of the United States had, as a result, 95 cents out of each dollar earned to pay for bread and butter, and shelter, and taking chances.

From 1900 to 1930 three billions yearly of "free money" went into new industries and into the expansion of old; since 1930 only one-tenth that amount.

Today, only 65 cents of each earned dollar is left for chance-taking by individuals, with the "free-money" of former years now allocated by political agencies.



CARTOON BY COLMAN IN NEW YORK HERALD-TRIBUNE



# Burroughs

## SHORT-CUT KEYBOARD



**ELIMINATES  
NEEDLESS  
OPERATIONS**

### ALL CIPHERS ARE AUTOMATIC

Only on the Short-Cut Keyboard are ciphers written automatically. Thus, much of the work is done without touching a key.

### SEVERAL KEYS AT ONE TIME

Only on the Short-Cut Keyboard can two or more keys be depressed at one time. This saves many needless operations.

### ENTIRE AMOUNTS IN ONE OPERATION

Only on the Short-Cut Keyboard can an entire amount and the motor bar be depressed together, thus completely adding or subtracting the amount in one operation.

*Let the local Burroughs representative show you on your own work what the short-cut method on the Short-Cut Keyboard can actually mean to you.*

**BURROUGHS ADDING MACHINE COMPANY**  
DETROIT, MICHIGAN

2 5.6 0  
5.0 0  
4.5 0  
1 0.6 7  
3 1 5.2 5  
3.9 0  
1 0.4 0  
6, 7 1 2.7 0  
5.9 0  
4 8.4 5  
2.5 5  
3 0.0 0  
4.7 8  
3 5 0.0 0  
2 4.5 0  
1.4 5  
6.0 0  
3 0.6 5  
2 5.0 0  
7, 6 1 7.3 0\*

This tape is a typical example of how thousands of needless operations can be eliminated by the Burroughs short-cut method. The amount 25.60, for instance, was listed and added by depressing the 2, 5 and 6 keys and the motor bar *all together, in one single operation*, instead of writing one figure at a time. The amount 6,712.70 was listed and added the short-cut way in two operations instead of seven. Thus, the Burroughs short-cut method eliminates needless operations in writing any amount.



## Business Men Say...



Thomas W. Lamont

ACME



Carl R. Gray, Jr. and Fitzgerald Hall

ACME



Dr. Ray Lyman Wilbur and Philip Benson

ACME

**FITZGERALD HALL, President**  
Nashville, Chattanooga & St. Louis Railway

"States' rights were not lost at Appomattox. The man who invented federal aid did more to destroy states' rights than all the hosts who marched with Grant and Sherman. . . . Government in business will destroy the character and independence of the American people. I have been in a regulated business all my life and I tell you the hand of government in business is the hand of death."

**J. D. A. MORROW, President**  
Pittsburgh Coal Company

"The establishment of minimum prices under the National Bituminous Coal Act on December 16 affected a revolutionary change in the competitive situation in the bituminous coal industry. . . . For our 18 mines alone, there are several thousand different prices fixed that we must absolutely observe in the sale of our coal and for the mines in the 10 districts with which our mines compete there are several hundred thousand prices fixed for the various sizes, grades and kinds of coal that enter our common market. . . . In our view this depression was created in Washington. It will have to be cured in Washington by a frank acknowledgement of some mistakes that have been made; by a clear and unequivocal statement of future policies without any intimations or suspicions of concealed and different purposes."



**J. D. A. Morrow**

HARRIS & EWING

**PHILIP A. BENSON, President**  
Dime Savings Bank of Brooklyn

"To its great glory it must be admitted that the most hopeful sign in the present situation is the fighting spirit of business. Fears and timidities characteristic of the early 'thirties are not present now. Business men seem determined to go ahead and ready to back their determination with cash."

**THOMAS W. LAMONT**  
Partner of J. P. Morgan & Company

"We must not feel that our generation has been going through unprecedented misfortune or that we can indulge in self-pity. . . . We want young men of intellectual hardihood, those capable in the coming generation of impressing their capacities upon the community, so that we shall not look to government to care for us or solve all our difficulties."





*"With this ring  
I thee wed"*

The young man who has just been married knows it takes time to acquire those "worldly goods" with which he promised to endow his bride. Meanwhile he must watch his pennies.

Every married man faces this question, "How can I leave my wife and children provided for, should anything suddenly happen to me?" The Metropolitan's Family Protection Policy provides a practical way to help meet this problem.

One popular form of the Family Protection Plan assures your wife \$100 a month income for twenty years — the period when the children are growing up. It then provides \$10,000 in cash or continued income, as desired. Larger or smaller amounts of income can be arranged to fit your budget and expectations.

This Plan affords a comfortable feeling of security to your wife and yourself . . . a strong foundation on which to rest a young couple's bright hopes and ambitions.

The Metropolitan Field-Man, without obligation, will gladly explain the details of this Plan. Telephone the nearest Metropolitan office today, or mail the coupon.

The Metropolitan issues Life insurance in the usual standard forms, individual and group, in large and small amounts. It also issues annuities and accident and health policies.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

Metropolitan Life Insurance Company  
1 Madison Avenue, New York, N. Y.

Without placing myself under any obligation, I would like to have information regarding the Family Protection Plan.

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ 38-N

## METROPOLITAN LIFE INSURANCE COMPANY

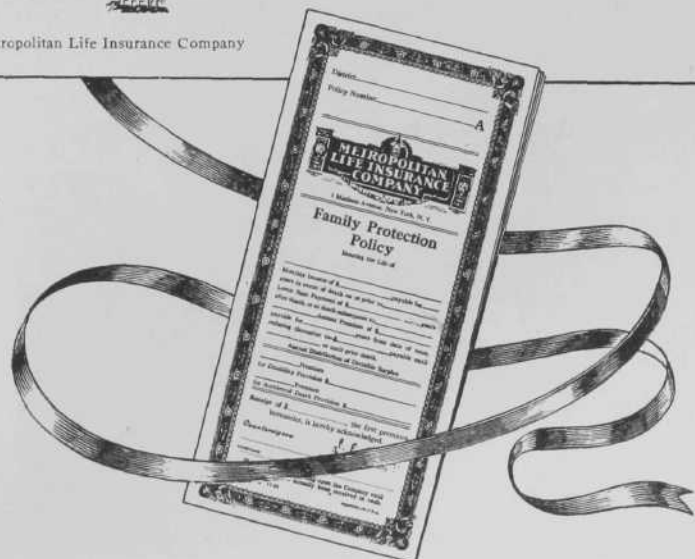
ONE MADISON AVENUE, NEW YORK, N. Y.  
FREDERICK H. ECKER, Chairman of the Board  
LEROY A. LINCOLN, President



Copyright, 1938, by Metropolitan Life Insurance Company

## ...A Family Protection Policy

- wife provided for
- children's education assured
- ground laid for retirement income





# Farm Income— The Tie That Binds



In Clear Lake, Iowa, a few years ago, farmers exchanged their corn with local merchants for 25 cents a bushel, in scrip, in order to keep trade moving

Right: Production for industrial uses is limited by cost of competitive products. Cotton must compete with wood pulp as raw material for industry. Below: Decline in horse population has released 30,000,000 acres formerly needed to produce hay



JOHN KABEL

Meat animals provide more farm income than any other product. Such income is largely dependent upon the mass purchasing power of America's 30,000,000 housewives



J. G. ALLEN



**I**NTERDEPENDENCE of agriculture and industry and how the success of one depends upon adequate production of the other is one of today's most striking economic truisms. The United States Chamber of Commerce recent report\* on "Farm Income in the United States" prepared by its Agricultural Committee, adds facts and figures which indicate that the amount of income received by farmers in this country is one of the two or three most important factors in determining national prosperity.

The report says that anything approaching self-sufficiency in farm life is no longer possible in American agriculture. A money income is necessary to obtain food not produced on the farm, clothing, implements, supplies and to meet the demands of organized society for the maintenance of political and social institutions through the payment of taxes and the making of contributions. Actually living on farms are 32,000,000 people and another 18,000,000 are indirectly associated with the agricultural industry.

It is possible, according to the report, to raise farm income by a better adjustment of supply to demand, but there are definite limits to the extent to which income may be increased by curtailing supply and raising unit prices. Farm-income would, of course, be improved if world prices justified

\*Copies of this report may be obtained by writing to the Agricultural Dept., Chamber of Commerce of the U. S., Washington, D. C.



# "COMPTOMETER" does master job for Zenith

**THE YOUNG LADY** (right) probably doesn't realize that behind the golden tones of her new 1938 Zenith Radio there's an intricate organization . . . with intricate figure-work problems. Behind every figure on Zenith Radio dials, there are thousands of figures on production costs, sales, etc. And all these figures are handled on the "Comptometer"!

**22 YEARS AGO** the Zenith Radio Corporation started using "Comptometers." Pictured below is one of Zenith's present "Comptometer" batteries — well-lighted, pleasant and efficient. Mr. Samuel Kaplan, Assistant Treasurer, says, "All of our figure work is handled on the 'Comptometer.' This includes costs, payroll, expense distribution, sales analysis, general accounting and statistical work. Our experience with 'Comptometer' methods over 22 years has convinced us that we can turn out our figure work quicker and at less expense with the 'Comptometer.'"



THE MODEL K "COMPTOMETER"



**IF YOUR BUSINESS** is in need of more economical, fast-moving and flexible methods of handling figure work, a "Comptometer" representative can show you (in your own office, on your own job) how modern "Comptometer" methods save precious minutes and dollars. Telephone your local "Comptometer" office . . . or write direct to Felt & Tarrant Mfg. Co., 1712 North Paulina Street, Chicago, Illinois.

## COMPTOMETER

Trade-Mark of Felt & Tarrant Mfg. Co.—Reg. U. S. Pat. Off.





CATERPILLAR TRACTOR CO.

Increased foreign production of wheat has cut down the export market. This Algerian farmer is rapidly learning how to use modern equipment to increase his production and add to world supplies



Private initiative and high production per worker build farm homes like this, explain why a prosperous countryside accounts for 30 per cent of all retail trade

expansion of exports and adequate outlets could be provided. Production for industrial uses may also be expanded, but the prices which industry can pay for agricultural products are largely determined by the cost of competitive products, and the possibility of increasing farm income by this means is, therefore, definitely limited. For example, cotton must compete with wood pulp for cellulose manufacture, and corn with low-grade molasses for alcohol production. The committee believes that a better way to increase the total farm income is by the expansion of industrial activity with its resultant increase in consumer income.

How agricultural income affects the sale of manufactured goods constitutes an important part in the Committee's study. As an example, the report calls attention to the increase of shipments into the Southwest in the years 1932-34. In these years, farm income in this area increased 35 per cent. Shipment of manufactured goods used by farmers in production increased 114 per cent. Domestic and personal goods largely used by farmers increased 57 per cent.

Likewise, shipment into this same area of commodities

used in industries increased 30 per cent. Not only was the farmers' immediate buying increased when income went up, but their purchasing power was also reflected by larger sales in other industries.

The recovery of farm income was reflected in retail trade more noticeably than in any other branch of business. Contrary to the practice in most industries, purchases by agricultural producers are almost entirely at retail—even goods used in production, which in other industries would be bought through wholesalers or direct from the manufacturer, are bought from retailers. The total amount of farm income that went into retail trade in 1935 was equivalent to 54 per cent of the rural retail trade of that year, and the rural trade was 30 per cent of the national retail total of \$33,000,000,000.

The report further indicates that the consuming public spends about one-fifth of its income for food and clothing in both good years and bad. Therefore, after farmers have done all that they can to improve their own individual production and marketing problems, they can expect an increase in their own income only when the total income of all consumers is raised.

The Committee made the following recommendation which will be placed before the next annual meeting of the Chamber:

"Recognizing the economic necessity of maintaining a balance between supply and demand—between production and consumption of agricultural products—the Committee believes that the most important opportunity today lies in the vigorous stimulation of demand at home and abroad rather than in the curtailment of supply. The prosperity of agriculture depends primarily on an expanding industry, and upon the re-opening of foreign markets. Government can best serve agriculture by the most generous encouragement of private initiative."

Ability of one man to tend more acres increased by mechanization. Land unsuitable to modern methods can be withdrawn from cultivation

JOHN DEERE CO.





# democracy—on wheels

The automobile is the most democratic of our proud American institutions. According to the latest available figures there is one car for nearly every family in the United States . . . a record undreamed of by any other country.

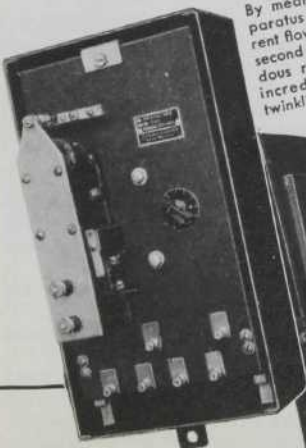
What has made this "democracy on wheels" possible? Constantly advancing methods of manufacture, chief among them the art of resistance welding. This better means of making two pieces of steel become one permits the development of new light weight, stronger steels, fabricated at far greater speeds and lower costs.

Thus once more, the advancing art of Electrical Control contributes to the welfare of the nation. And wherever the advance is most far-reaching in its effects, there you find the name of Cutler-Hammer, pioneers in the art of controlling electricity for comfort, prosperity and progress. CUTLER-HAMMER, Inc., Pioneer Manufacturers of Electric Control Apparatus, 1251 St. Paul Avenue, Milwaukee, Wis.

By means of a simple dial on the apparatus in this box, the split-second current flow may be varied from 1/20 of a second up to a half second; a tremendous range of 10 to 1 yet within an incredibly short space of time—the twinkling of an eye.

Day-in-and-day-out high speed repetition of motion is essential in mass production. Cutler-Hammer Contactors perform with unfailing regularity; have been designed and field tested to meet most advanced welding requirements.

Resistance-welding is one of the important factors in modern high-speed, low-cost production. For 1/20 of a second, tremendous current surges through the metal, and two pieces of metal have become one. Sharp, clipped control of the current is essential, for if that twentieth varies as much as 1/100 of a second, the weld won't "pass".



ANOTHER CUTLER-HAMMER



# No Business Can Escape Change

**Business cannot strike. If it ceased providing the implements of living, it would not be business**

**1 •** A NEW and distinctive product for decorative surfaces is made of interlaced wood veneer strips impregnated and surfaced with transparent thermoplastics. It is slow-burning and substantially unaffected by water, petroleum products, alcoholic beverages.

**2 •** INDUSTRIAL lighting fixtures that are easily serviced from the floor are made with a bayonet coupling and circular electric contacts. Cleaning or changing bulbs presents no problem.

**3 •** INKS for marking glass, porcelain and metal, which adhere when applied with a steel pen, have been developed. Both black and white are available.

**4 •** A SMALL transformer for household use is designed to step up, or down, the voltage when the supply current is too low, or high, for most efficient operation of an appliance such as refrigerator.

**5 •** SALT—yes, common table salt—is now available in a moisture-proof metal package. It's recommended for any place where the humidity is high.

**6 •** GLASS bricks are now available in colors and also a variety of shapes including squares, rectangles and curves.

**7 •** AN ingenious paint mixing machine makes unnecessary an inventory of hundreds of shades. It mixes a large number of shades from 16 base tinting colors. The cans have a special lid which provides for easy agitation and accurate gauges with a formula book complete the outfit. It's particularly adapted for automobile shops.

**8 •** A RECENTLY developed jack for putting pipe under streets or other obstacles without tearing up the surface pushes a small or pilot pipe through, then pulls back one or more larger pipes without moving the jack. Saves digging, prevents traffic interruption.

**9 •** CARBON-DIOXIDE lamps with daylight color value are now made in bench models as small as 250 watts for color-matching small objects. The color value remains unchanged through ordinary changes in voltage, also throughout the life of the lamp tube.

**10 •** A TINNED coating may be applied to almost any metal by any mechanic by using a new tin concentrate which comes in powdered form to be mixed with water and painted on. When heated with a blow torch and wiped, it leaves a good tinned surface free from spots.

**11 •** FOR fishermen there is a novel landing net which closes up to a diminutive size for handling. The net frame partially telescopes into the handle, the net itself is held close.

**12 •** A NOVEL line of expansion devices, using rubber as the expansion member, are suitable for fastening stud bolts, anchor bolts, or ordinary screws in walls to hang pictures or fixtures.

**13 •** A SHOCKPROOF iron post for guard railings for bridges, factories, schools, and other uses is now available.

**14 •** A MACHINE for taking dictation is now made that not only operates on 110 volt electric circuits but may, by simply throwing a switch, be used on six volt current in automobile or trailer.

**15 •** A FOUNTAIN-TYPE brush for washing cars, win-

dows, and the like is light-weight, non-scratching, easily taken apart. Water flows through the brush onto the surface being cleaned.

**16 •** A CEMENT for vacuum furnaces does not become brittle, adheres to many surfaces, can be reclaimed and re-used indefinitely. It can be used as a paint with a suitable solvent.

**17 •** A NOVEL device for determining the moisture content of atmosphere in industrial metal-heat-treating furnaces utilizes a metal mirror cooled by a gas on its back. The temperature of the mirror is read at the instant dew appears by means of a light-gauge thermocouple.

**18 •** A NEW hand truck facilitates the handling of gas cylinders. It's made of tubular steel with ball-bearing wheels and low pressure pneumatic tires.



**19 •** Push-button tuning in a new automobile radio makes for convenience and safety. There are five buttons which are easily adjusted by the customer. Conventional tuning may be used without throwing controls.

**20 •** A NOVEL indicator shows immediately whether fire extinguishers of the tip-over type have been used or tampered with. A red disk marked OK drops out of sight when the tank is tipped over accidentally or in use. The disk cannot be reset except by persons authorized to refill the tanks.

**21 •** A NEW corrugated shipping case without corner joint provides better stacking and better protection. It is made automatically in any size and requires less material.

**22 •** A TRANSPARENT oil can shows the amount and kind of oil at a glance. It's molded of a transparent plastic, is light weight. The spout is heavy gauge copper plate.

**23 •** A SERIES of paints and inks have been developed which change colors at various temperatures from 104° F. to 464° F. Some are retroactive, some change permanently.

**24 •** A T-SQUARE made of stainless steel with transparent edges is light-weight, non-warping, washable, unaffected by perspiration, has a narrow blade that's easy to work over.

**25 •** A TABLE with novel fan under it picks up cool air near the floor and circulates it through the room.

—WILLARD L. HAMMER

EDITOR'S NOTE—This material is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business news into our offices in Washington. Further information on any of these items can be had by writing us.





The Missouri State Capitol is one of many public buildings to "Call in Frigidaire" to solve water cooling needs.

Meats retain appetizing color, texture, and remain at profitable weight when packers, wholesalers, markets "Call in Frigidaire".



# Over 50 Different Types of Business Call in Frigidaire ON ANY SIZE REFRIGERATION JOB



The French Line "Called in Frigidaire". Now, the ocean-conquering Normandie is completely Frigidaire equipped with water coolers, beer and wine coolers, ice cream cabinets, storage boxes.



Like hundreds of other Super-Markets, this one preserves perishables to customers' satisfaction because the owners thought to "Call in Frigidaire".



## Over 2000 Local Authorized Frigidaire Dealers

plus 51 District Offices, shown on map and listed below, make Frigidaire's expert engineering service instantly available to you.

FRIGIDAIRE BRANCH OFFICES, GENERAL MOTORS SALES CORPORATION: Atlanta, Baltimore, Birmingham, Boston, Buffalo, Chicago, Cleveland, Dayton, Denver, Des Moines, Detroit, Ft. Worth, Kansas City, Los Angeles, Nashville, Newark, New Orleans, New York, Oakland, San Francisco, St. Louis, St. Paul.

OTHER DISTRICT OFFICES: AKRON, Ohio Edison; ALEANY, Graybar Electric; BALTIMORE, Carey Sales & Service; BILLINGS, Northwestern Auto Supply; EL PASO, W. G. Walz Co.; HOUSTON, Cox & Blackburn; INDIANAPOLIS, Refrigeration Equipment Co.; JACKSON, Consumers Power; LOUISVILLE, Smith Distributing Co.; MEMPHIS, Mc Gregor's, Inc.; MIAMI, Domestic Refrigeration Co.; NEW CASTLE, Penn. Power Co.; NORFOLK, R. F. Trant, Inc.; OKLAHOMA CITY, W. C. Dance, Inc.; OMAHA, Major Appliance Co.; PEORIA, Central Ill. Light; PHILADELPHIA, J. J. Pocock, Inc.; PITTSBURGH, Electric Products Corp.; PORTLAND, Sunset Electric Co.; ROANOKE, H. C. Baker Co.; ROCHESTER, Chapin-Owen Co.; SAN ANTONIO, Straus-Frank Co.; SALT LAKE CITY, W. H. Bintz Co.; SEATTLE, Sunset Electric Co.; SIOUX CITY, D. K. Baxter Co.; SPOKANE, Jensen-Byrd Co.; STRACUSE, Onondaga Auto Supply Co.; TAMPA, Byars-Forgy Refrig. Co.; WICHITA, S. A. Long Co.



In refrigerating foods and other perishable items . . . cooling beverages, milk, water . . . Frigidaire "Matched" Systems can save you money, time, and worry! On any size installation . . . anywhere!

● Commercial refrigeration users of all kinds will find it pays rich rewards to "Call in Frigidaire" on any size refrigeration job or type of application. First, because no matter where your business is located, the expert counsel of Frigidaire and General Motors is available to you. Second, because the economical operation, the dependable, trouble-free life of Frigidaire Commercial Refrigeration equipment has become the standard of efficiency in more than fifty different types of business and industry.



You may be losing money every day because of an inadequate or obsolete refrigerating system. Stop these losses now. Get the full facts from Frigidaire about how you may be able to increase profits for a small expenditure. And don't forget—no matter how large, nor how small your refrigeration requirement, Frigidaire can serve you. Either through your own local Frigidaire Commercial Dealer, or through the nearest Frigidaire Commercial district office. Call in Frigidaire today!

FRIGIDAIRE COMMERCIAL DIVISION, GENERAL MOTORS SALES CORPORATION • DAYTON, OHIO



# Yesterday's Little Businesses

By JOHN ALLEN MURPHY

**TODAY'S** discussions of the merits of Big Business and Little Business raises the question "Where does Big Business Come From?" Here are some answers

**V**IRTUALLY all big businesses started humbly. Scores of them were even launched from small retail stores. Many products today sold throughout the nation—in some cases, all over the world—were originated by retailers.

For example, the great Hart, Schaffner & Marx had its inception in a small clothing store. A few months ago this company celebrated its fiftieth anniversary. Two brothers, Max and Harry Hart, opened a small clothing store in Chicago in 1872. One day an out-of-town retailer admired the clothes that the Harts carried. Sensing an opportunity, they volunteered to sell the visiting merchant a few suits of the same make at wholesale prices. He accepted the offer.

This gave the Hart boys the idea of expanding into the wholesale business. They needed capital for this venture and succeeded in getting it from another retailer, Marcus Marx, who ran a general store at Hastings, Minn. By 1887, the Harts were manufacturers. That year Joseph Schaffner was drawn into the enterprise. His advertising and merchandising genius enabled the company to grow to national proportions.

Almost all types of retail establishments have given birth to big businesses. For instance, the Remington Arms Company grew out of a blacksmith shop. Philo Remington was a blacksmith at Ilion, N. Y. He made an occasional gun on special order for his farmer customers. His reputation as a gunsmith spread. From this humble beginning gradually evolved one of our largest gun, ammunition and hardware manufacturers.



BROWN BROS.



Because Blacksmith Philo Remington made good guns for his neighbors his little shop grew into the Remington Arms Company

his shop, he and his wife got busy and originated a dressing based on the chef's formula. At first it was offered in their store, but orders soon began coming in for it from two or three states. Before he realized it, Mr. Hellmann was a manufacturer.

To grow nationward, a retailer must do more than bring out a product. He should have a new kind of product and he must use original ideas in promoting it. Richard Hellmann met these requirements. He packed his mayonnaise in jars with wide mouths so that the dressing could be removed easily and without waste. Then he conceived a different sort of distribution system.

Rapid delivery was essential. To institute such a system would take more capital than he could command. So he set up a system that not only took the burden of financing deliver-

The delicatessen store, too, has projected products into the national scene. Hellmann's Mayonnaise came out of one of these savory shops. Richard Hellmann was a delicatessen dealer in New York. In 1912, he went to Europe on a vacation. In France, he ran into a friend who was a chef. This man had developed a mayonnaise dressing and had built up a nice business on it.

It occurred to Mr. Hellmann that he could sell a similar product in the United States. When he returned to



# 3 NEW WAYS TO CUT BILLING COSTS

made possible by this completely electrified fanfold machine

## 17 DIFFERENT MANIFOLD FORMS PRODUCED AT LOWER COST

Invoices, sales orders, purchase orders, shipping orders, claim forms, change orders, repair orders, bank loan forms, production orders, bills of lading, receiving records, requisitions, credit memos, back orders, waybills, bank collection forms, brokers' orders.



In addition to the many advantages of manually-operated models, the completely electrified Remington Fanfold Machine offers these three extra savings:

1. **FULL SPEED TYPING.** The time required for the preparation of each set of forms is reduced 20 to 30% by complete electrification of alphabet, numeral and tabulator keys; carriage return; line spacer; back spacer; shift key; and decimal, palm and skip tabulating key.
2. **UNIFORM IMPRESSIONS.** Type bars — controlled electrically — respond

to the slightest touch of a finger. No "warming up" needed in the morning and no "four o'clock fatigue." Straight through the day, your operator can make a dozen or more copies of each form as easily and legibly as she could type one.

3. **LOWER COST FOR CONTINUOUS CARBON ROLLS.** With the Remington Fanfold Machine you get 40 writings from each 4" shift giving 220 changes or 8880 writings from each carbon roll—an average cost of

only 84c per thousand for 6-part fanfold forms.

### MAIL COUPON FOR COMPLETE FACTS!

Write today for further proof that the Remington Electrified Fanfold Machine can reduce your billing costs. Manual models also available. Please check and mail coupon below if you're interested. No obligation.

Remington Rand Inc., Dept. 23  
465 Washington Street, Buffalo, N. Y.

Please send me, without obligation, complete information on the ☐ new Remington Electrified Fanfold Machine; ☐ Remington Manual Fanfold.

Name.....

Address.....

City..... State.....

## OK...it's from Remington Rand

MANUFACTURERS OF ALL TYPES OF OFFICE MACHINES AND SYSTEMS EQUIPMENT PROVIDING COMPLETE INSTALLATION AND FULL RESPONSIBILITY



ies off his shoulders, but which also financed his whole business, and made it possible for him to expand his enterprise rapidly out of profits. Wagon jobbers, or merchants on wheels, men who own and operate their own trucks, was the answer to Hellmann's delivery problem. They paid him cash for the mayonnaise when they loaded their trucks in the morning and had their money back later in the day as they sold their stock to dealers for cash.

Fifteen years after that fortunate trip to Europe, Richard Hellmann was a millionaire. In 1927, the business was sold to General Foods. The former delicatessen dealer became a director in that corporation.

The small retail bakery has contributed to our national industry. Several bakery products that once sold only across the counter of the baker who originated them are now distributed all over the country. Friend Bros., Inc.'s Boston Baked Beans is such a product. Baker Friend opened a small shop in a Boston suburb. He

greens. Woodward used to fashion these greens into attractive wreaths for his local florist trade. Soon the demand for them began to come from the outside world. Now Woodward's Christmas greens are decorating the homes of Long Island millionaires, the lobbies of famous New York skyscrapers and the dining rooms of noted hotels.

### Taffy goes national

IN 1885, Joseph Fralinger ran a lemonade stand in a small resort town known as Atlantic City. Little did Fralinger then realize that a nationally sold product would come out of his stand. Young Fralinger had a couple of competitors. They sold a home made candy—Salt Water Taffy. In those days it was usually called "Sea Foam."

That same year, 1885, the owner of one of the other stands got into trouble with his landlord, Capt. John Young, the man who later built Young's Million Dollar Pier. Captain

Young asked Fralinger to take over his rival's stand. Thus, the lemonade merchant found himself in the taffy business. Fralinger greatly improved the methods of making

taffy that had been followed up to that time. His trade on the specialty skyrocketed.

As Atlantic City grew, thousands of visitors every year shipped "Fralinger's Original Salt Water Taffy" to their friends back home. In this way the candy became known all over the United States. A logical and easy step was to establish jobber-dealer distribution.

Another Atlantic City business, Hackney's, has recently outgrown its local bounds. For years Edward Hackney specialized in shore dinners. In 1936, this restaurant brought out a line of clam chowder, fish chowder and steamed, soft shelled clams. Already the line is sold in several states.

The inception of the business is similar to Fralinger's. Patrons, entranced with the restaurant's delicious chowder, asked to have some put up so that they could take it home. This happened so often that Hackney finally rented some canning equipment and had his regular employees can the chowder. The line took and another national business has come out of a retail establishment.

As a matter of fact, many products have originated in hotels and restaurants. Caruso's in New York is distributing a packaged soup mixture. Zucca's, also of New York, put out a spaghetti dinner and canned soups. The Heublein Hotel, in Hartford,



Matthias W. Baldwin

grew rapidly and presently had three or four bakeries in the community. Toothsome beans, baked Boston style, was one of the articles regularly carried. The demand for the beans spread beyond Friend's retailing zone. Soon, he was selling in several states. Boston Brown Bread and other products were added and a seminal business was developed.

A florist in Walpole, N. H., by the name of Woodward has built a wide business on Christmas greens. The countryside about Walpole abounds in holly, laurel, firs and other ever-

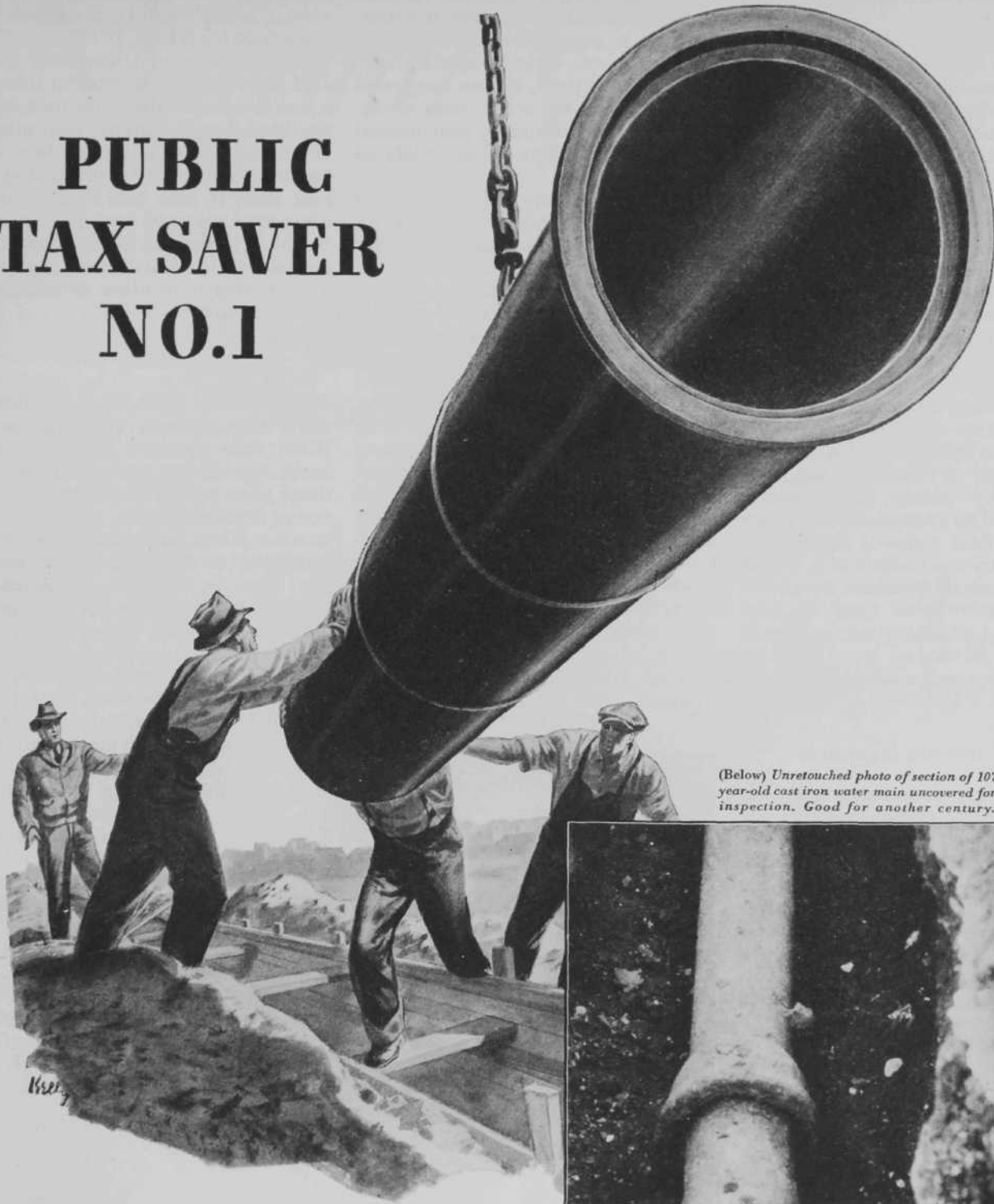


Here Baldwin, a jeweler, began building locomotives. The hole, now bricked up, through which Old Ironsides was hauled out still shows

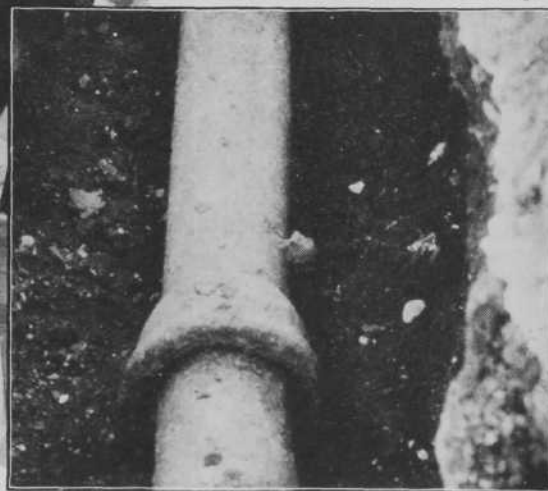
BROWN BROS.



# PUBLIC TAX SAVER NO.1



(Below) Unretouched photo of section of 107 year-old cast iron water main uncovered for inspection. Good for another century.



**MR. TAXPAYER,** I am *Public Tax Saver No. 1*, otherwise known as cast iron pipe. You don't meet me very often for, when you do, I am being put in the ground to stay there, for a century or more, doing my work as a water, gas or sewer main. Such mains, in municipal systems, are usually paid for out of taxes. Therefore, as a taxpayer, you have reason to remember me favorably. I have saved, and I am now saving, millions of dollars of taxpayers' money because *I serve for a century*. I am the only ferrous metal pipe, practicable for water, gas and sewer mains, which rust does not destroy.

Here I am, under the streets of St. Louis, still distributing water after 107 years of service. But I have relatives still active after more than two centuries. The world's first cast iron water main, and America's first, 274 and 116 years old respectively, are still in service. I have been Public Tax Saver No. 1 for a long time.



Identify cast iron pipe by the "Q-Check" registered trade mark.  
It is made in diameters from 1 1/4 to 34 inches.

## CAST IRON PIPE *Saves Taxes in Public Service*

THE CAST IRON PIPE RESEARCH ASSOCIATION, THOMAS F. WOLFE, RESEARCH ENGINEER, PEOPLES GAS BUILDING, CHICAGO, ILLINOIS



Conn., sponsored the now widely used "A-1" sauce.

The College Inn line of grocery specialties was originated by the Hotel Sherman in Chicago. Incidentally, College Inn has had a vast influence on the food business. One of College Inn's first products was a tomato cocktail. To this cocktail must be given at least part of the credit for creating the vogue for tomato juice and other juices which have been dominating the national breakfast table for the past few years.

In the case of some products associated with hotels, it is difficult to state whether the hotel created the product or the product the hotel. One of these is Pluto water connected with the late Tom Taggart's hotel at French Lick Springs, Ind. Another is Poland water of Poland Spring, Me.

Not many widely sold products were started by grocers. But there are some. Invalides coffee is one. It was originated by the famous S. S. Pierce store in Boston. Someone connected with the store was fond of good coffee but for health reasons could not drink it. So he conceived Invalides which has been partly decaffeinated.

### Cobblers are ingenious

SEVERAL big companies had their start in cobbler shops. Probably the best known example is the W. L. Douglas Shoe Company. However, a more interesting illustration is the B. F. Sturtevant Company, manufacturers of blowers, air-moving and air conditioning equipment. As a boy B. F. Sturtevant was a shoe maker. In those days the wooden pegs used in soling shoes were made by hand.

Growing tired of the tedious job, the brilliant lad invented a machine for making them. This machine cut a thin veneer of wood and also cut pegs out of the veneer. The machine worked satisfactorily, except for one thing. The sawdust and shavings that fell from the cutting operation frequently blocked the machinery. So Sturtevant invented the blower to blow away the shavings. He saw that his second invention was probably better than the first. Hence, he sold his rights to the veneer-cutting machine and concentrated on blowers thereafter.

In a few cases the private brands of department stores have evolved into generally sold products. Onyx hosiery was once a Lord & Taylor brand when that New York department store had a wholesale division.

The druggist has sired more specialties than any other type of retail merchant. Scores of nationally sold articles were born inauspiciously in drug stores. Perhaps this is not so

surprising when we consider that the druggist is a manufacturer of a sort. He has a knowledge of drugs and chemicals—of their properties, actions and reactions. He can compound prescriptions. No other class of retailer has the intimate, professional knowledge of so many materials as the druggist.

Merely to list the products created by pharmacists would require a lot of space. Mennen's Talcum Powder is one of them. Gerhardt Mennen ran a drug store. He got the idea that he would like to manufacture a product that he could sell to other druggists. He tried making two or three preparations but he did not strike a winner until he hit upon his talcum powder.

Charles E. Hires had his own drug store in Philadelphia. Like young Mennen, he, too, was eager to expand his business. Hires thought he found a product that he could wholesale when a bed of fuller's earth was discovered behind his store. He packaged the earth and sold it readily enough. Unfortunately, the bed was soon exhausted.

The enterprising druggist began looking around for a product that would be more permanent. Visiting a

farm home about this time he was served a root beverage. About the same time his friend, Dr. Russell Conwell, of "Acres of Diamonds" fame, said it would be a wonderful thing if a temperance drink could be sold to the hard-liquor drinking coal miners of Pennsylvania. Putting two and two together Mr. Hires originated his root beer. It took him some time to compound the right formula, but once he got it, he was tireless in promoting its sale. He sold it in his own store and peddled it to other druggists in the community.

### Advertising pays

GEORGE W. CHILDS, publisher of the *Public Ledger*, and Charles E. Hires rode to work together in a horse car. Childs took advantage of these trips to sell advertising to the young manufacturer. After a few months, Hires capitulated and took a small "ad" on condition that he would not have to pay for it unless it brought him business. Eventually, it did bring business. Hires went to the *Ledger* office to pay for the space he had used. To his amazement, the bill was something like \$600. He said he did not know that advertising was so expensive but decided to continue the advertisement.

It was not long before Hires was a confirmed advertiser. He was the first full-page newspaper advertiser. Up to that time advertisers used only column space. He had a hard time getting Childs to accept the page advertisement. The publisher claimed it would ruin his circulation. Actually readers liked the idea, and the *Ledger's* circulation increased. After that

(Continued on page 74)



W. A. Sheaffer was annoyed by leaky fountain pens. He designed his own



W. L. Douglas was dissatisfied to be a small cobbler, built a national business



# Mutual Insurance

## HAS GROWN WITH AMERICAN BUSINESS



*Detroit in 1805 was already  
an active trading center*



The history of Mutual insurance parallels the history of American business from its beginnings. There are 7 Mutual fire and casualty companies over 125 years old, there are 41 over 100 years old.

When American business was largely barter-exchange of commodities—Mutual insurance was protecting those engaged in it.

And today, when American industry

surpasses anything the world has ever known, Mutual companies are still protecting property and employers in ever increasing numbers.

The members of the American Mutual Alliance are selected leaders in the field of Mutual fire and casualty insurance. The seal of the Alliance identifies a sound, ably managed Mutual organization.

## THE AMERICAN MUTUAL ALLIANCE

*919 North Michigan Avenue, Chicago, Illinois*

THE NATIONAL ASSOCIATION OF  
MUTUAL CASUALTY COMPANIES

THE FEDERATION OF MUTUAL  
FIRE INSURANCE COMPANIES



## "Ice Plant" Holds Hillsides— Beautifies Roadsides



Ice Plant set out on narrow terraces to protect a real estate development on the hill above from erosion

Ice Plant "digging in" on steep slope. In short time entire hillside will be protected against erosion

**I**CE PLANT—*Mesembryanthemum*—the Billion Dollar Plant—are only a few of the appellations of a plant, native to South Africa and California, which hundreds of planting crews are now spreading throughout the milder climatic belts of the United States.

Factories and real estate developments located on hillsides subject to erosion, and thousands of miles of state and county highways are guaranteed tenure in their present locations by Ice Plant.

The demand for Ice Plant cuttings to protect eroded and eroding slopes which are not to be used for agriculture has resulted in frequent airplane shipments from coast to coast of varieties newly discovered to possess soil-holding characteristics. An order for Ice Plant cuttings means rapid transportation, because the plant, once out of the soil, is extremely delicate. Yet, growing, it will drive out every other form of vegetation. Paradoxically enough, Ice Plant is easily

eradicated and may be used to clear an area of other plant-life.

This strange denizen of the vegetable kingdom seems to require almost no top soil. It has taken hold successfully where slopes have been mechanically trimmed down to a few inches of the rock.

### Many varieties of "ice plant"

ANY of the varieties of *Mesembryanthemum* may be bought in nurseries and several states maintain their own supplies for use in preventing landslides along highways. Most of the 300 or more species are native in South Africa. Two species are native in California, and many are distributed throughout the milder climates of the world.

Though, strictly speaking, the name "Ice Plant" should be applied to only one of the species of *Mesembryanthemum*, the simpler name has been erroneously applied to many of the widely-used species. As far as

roadside use is concerned, *Mesembryanthemum edule*, because of its dark green color and comparative hardiness, is of greatest value. It is planted merely by slips or cuttings set one, two, three or four feet apart. It is planted three or four feet back from the top of the cut, allowing for plenty of root area before it grows over the slope.

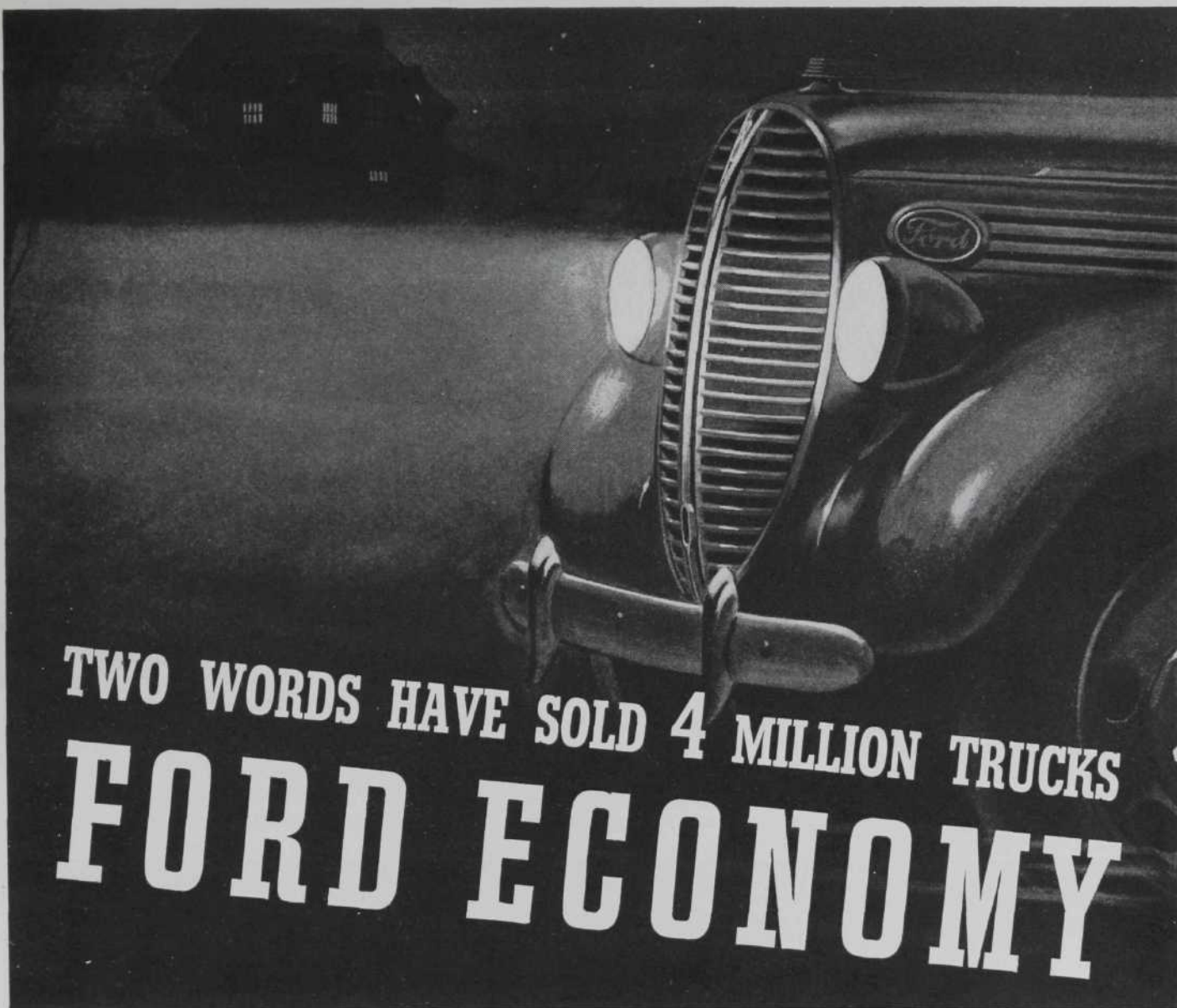
Another type of *Mesembryanthemum*, *floridundum*, is one of the most surprising of all the species, since it will take hold on deep cut steep slopes if started in small pockets of soil arranged on the face of the slope.

*Mesembryanthemum*, being a succulent, will not stand extreme temperatures, although many species will grow in regions of rather severe, though not extreme, frosts.

In summer in states with mild climates, the weeds that grow up between the *Mesembryanthemum* are mowed down, the mowing equipment driving over the *Mesembryanthemum* with little or no harm. This operation is repeated until the *Mesembryanthemum* has completely covered the ground and choked out weed growth.

—KHYBER FORRESTER





# TWO WORDS HAVE SOLD 4 MILLION TRUCKS FORD ECONOMY

**E**CONOMY has always been a major feature of the Ford Truck. That is the reason there are more Ford Trucks on the road today than any other truck. That is the reason more Ford Trucks were sold last year than any other 1937 make.

For 1938, the Ford V-8 Truck gives you still greater value. Again it writes ECONOMY on cost sheets . . . saves dollars because it does more work—in less time—at lower cost.

The V-8 engine puts the Ford in a class by itself for work done. It means high sustained speeds—more payloads—more delivered dollars for every truck dollar. Only the Ford Truck gives you the extra speed and power of a V-8 engine.

And remember this all-important fact . . . Ford suits the engine to the job. The 134-inch and 157-inch units are powered by the 85-horsepower engine. There's a choice of 85 or 60 horsepower in the new one-tonners and commercial cars.

The Ford Engine and Parts Exchange Plan is an extra time-saving, money-saving feature. A factory-reconditioned engine that will give new engine performance can be installed in your truck in a few hours. Factory-reconditioned parts can be kept on hand for quick replacement by your own mechanics. Your truck is ready for service more hours per month and your maintenance costs are less.

## NEW 1938 FORD V-8 FEATURES

- ★ New styling for all units.
- ★ More comfortable cabs—3 inches more head room—handsome new interior trim—softer seat cushions.
- ★ New 134-inch wheelbase, with 60-inch cab-to-axle measurement—improved load distribution.
- ★ For 134-inch and 157-inch trucks, new standard frame width.
- ★ Quicker stopping brakes.
- ★ New larger spindles.
- ★ Easier steering—new roller type with 18-inch wheel.
- ★ 7.50-20 dual tire and wheel equipment available at extra cost.

ASK YOUR NEAREST FORD DEALER  
FOR AN "ON-THE-JOB" TEST

**NEW  
1938**

# FORD V-8 TRUCKS



# What Shall We Do With Them?

By LUI F. HELLMANN

**F**OR SOME years I have been visualizing a great and important national problem arising, much like a black thunder cloud, over the horizon. I fear that, if we fail to heed the faint, distant rumbling of its thunder, we may be unprepared when the storm strikes. It is a problem which is vital to youth.

Not long ago a man came into my office.

"I've got a 19-year-old boy," he said, "and I would like to find a job for him, a place where he could learn something. Do you happen to have an opening?"

For a moment I looked at him. I couldn't control a faint sigh.

"Out there," I replied, pointing toward the little machine shop which my partner and I operate, and where half a dozen men were working, "I've got one just like that. At home I've

**A BUSINESS man who learned to work when he was 14 expresses his opinion of the training provided for modern youth and predicts future difficulties**

got another. Need I say more?"

He smiled sadly.

"No," he said, "you don't. But, for God's sake, what are we going to do with them?"

I also wonder.

You know, as emotional Americans, we are like a bunch of western jackrabbits. We make big leaps and we miss the ground that lies between.

Here in Indiana we have a child labor law. No boy less than 16 can be employed in an office or clerical position; no boy less than 18 is per-

mitted to work in a shop or factory. Great! Is it or is it not?

Just another little incident. Not long ago another man came to me. He and I had been machinist apprentices in the same shop at the ripe old age of 15 many years ago.

"Lou," he begged me, "can't you help me get a job for my boy?"

His boy was 22. He had graduated from high school when he was 18. Jobs were really scarce then. He couldn't find one but he did proceed to get married and have a baby. Now



Several companies already operate schools such as Mr. Hellmann suggests. Here C. F. Kettering explains a few points to students in the General Motors training school





# ENDURING APPEAL!

**Storefronts of Anaconda Bronze attract customers  
by their dignity and good taste**

**A**LERT building owners and tenants realize the importance of the storefront in the never-ending problem of attracting customers. Wherever smartness is the objective, Bronze is the predominant metal for storefronts. Bronze lends an air of warmth, of quiet distinction.

Equally important, a Bronze storefront is a sound investment—every bit as practical as it is good-looking. Durable and rustproof, it renders permanent service. Upkeep expense is negligible,

for Bronze is easily cleaned. Even when long-neglected, its original lustre may be quickly restored.

The American Brass Company is the principal supplier of bronze, copper, and nickel silver in the form of extruded shapes, drawn shapes, sheets, etc., as used in the construction of ornamental work of every description.

*Illustration shows the Wasson Store, Indianapolis, Indiana. Rubush & Hunter, Architects. Anaconda Bronze Work by The Michaels Art Bronze Co., Inc., Covington, Kentucky.* 38154



## Anaconda Copper & Brass

THE AMERICAN BRASS COMPANY, General Offices: WATERBURY, CONNECTICUT  
Offices and Agencies in Principal Cities • In Canada: ANACONDA AMERICAN BRASS LTD., New Toronto, Ont.



his father is keeping them all. He is really a presentable young man. I am sure that he would be a good worker—IF—he had ever learned how to work.

There it is, the real point I am making:

"If he had ever learned how to work."

Can't we realize what we are doing by virtue of these supposed safeguards of youth, the child labor laws? Can't we get it through our heads that youth's most formative years lie between the ages of 14 and 18? What are we doing? Let's face the facts and quit kidding ourselves. Today, with our modern child labor theories, we are forcing a boy to learn how to loaf during those years when he is capable of absorbing his greatest learning. We are teaching him how to avoid work instead of teaching him how to work.

Let me tell the story of the "boy out there," that boy in our own shop and the story of the new "Vanishing American."

Our little business is somewhat unusual. It is a business conducted by two middle-aged men, both of whom have spent their lives since they were 14 in machine shops. We are engineers, designers and builders of special purpose machinery. Each day we face new problems, different methods. We hardly ever repeat on a single job. We require the all-around type of mechanic, the man who can operate the lathe, the milling machine, the boring mill, the planer, the grinders, the drill presses; who can work on the bench and that now rare specimen who knows how to push a scraper and spot. "The old time mechanic," we used to call him. Now we can truthfully call him the "Vanishing American."

Although we employ only half a dozen men, it is our policy to have one young man among them to give one boy an opportunity to learn the art of the "Vanishing American." In our little plant and due to the diversified character of our work, a young man can learn more in one year than he could in a large plant in five.

Not so long ago we had an opening for such a young man.

A young man came in. He had a pleasing personality. We interviewed him. He had gone through high school. He had spent one

and one-half years as a student in a prominent Indiana Engineering University. He frankly admitted that he had never worked before. We hired him.

We always give the young fellows a chance and take it easy to break them in right, but to watch this young man work today is a revelation of how carefully we are teaching our boys to loaf. He has to make himself perfectly comfortable and preferably be seated before he goes on with his work, work which the "old timer" would never think of sitting down to do. A snail's pace compares favorably to Sir Malcolm Campbell on the Salt Flats when relative speed is considered. He is interested in only two things, quitting time and pay day.

### No pride in workmanship

THE other day he was doing a simple job of sawing up some steel, a job which could have been done right just as easily as wrong. He did it wrong. One of our older men, a true mechanic, who would use the pieces later, asked why he didn't do it right. "What do I care," he replied.

Fire him, you say? We would if we thought it was he alone, but it isn't. It is the product of our pres-

ent social order which requires that we teach him how to loaf and not to work. He is but a typical example of his kind and we have had several.

Now let's come out of the beautiful haven of dreams and get down to earth. In this world two different classes of workers will always be required. The one, the White Collar Man; the other, the Shop Man. I am now considering only the great group of industrial workers. I must ignore the professionals; the doctors, lawyers and the clerks in the stores. Their problem may be different and I leave that to someone more qualified to discuss it.

In general, the two classes mentioned are recruited from the two classes of youth, those who can go to college and those who cannot. At this point permit me to say that, on the average, the boy who goes through college is absolutely worthless in the shop. By that I mean that he can never become one of those "Vanishing Americans."

The "Vanishing American" can only be created by years of intensive actual shop work during the formative years of youth. The college graduate has two definite things against him.

First, he is superegotistical.

Second, he is too old to accept the hard knocks and the necessary instruction.

Obviously, colleges must generalize, and equally obviously, the "Vanishing American" is created by concentration. Thus, in my opinion, the college boy's logical outlet is the white collar class.

Now, how about the workers? Here lies, in my opinion, our greatest problem. From among them must arise those to fill the ranks of the "Vanishing American," if they are to be filled. But how? We now teach them how to loaf during their greatest formative years. When the youth gets to be 18—the age he must now reach before he is permitted to learn anything about work—he has reached the "know it all" age; an age when he resents criticism; an age when he thinks that he is grown and equal to the older men about him; an age when he sneers at his superiors and at their supposed old-fashioned ways; an age when he thinks about girls and a good time.

How can we create "Vanishing Americans" from  
(Continued on page 100)

## The American Chance

THIS COUNTRY has given mankind the greatest liberties, the most unusual advantages, and the most unparalleled opportunities in the history of the world. It may not be perfect—that would be too much to hope for a human institution—but it is greater and finer than any other form or philosophy of government devised by man, and still remains the beacon light of the liberty-loving people of the world.

It is that America which gave me my chance and gave you your chance that I wish to help preserve in all its majesty and human values. It is those unmatched blessings and liberties and opportunities that I crave for my children and your children in the long succession of eventful years of the future, that lie beyond the curtain of impenetrable silence—momentous future years that challenge us, all of us, to preserve with fortitude and loyalty all that is fine and wholesome and precious in the America we inherited from those who paid the hard price to make it great and worthy of our reverent devotion.

—MARTIN L. DAVEY, Governor of Ohio  
Addressing the Ohio Society of New York



# When industry calls for oil

*Immediate deliveries from  
2108 warehouse points!*

Industry's call for oil is a *MUST!* Machines can't wait. Shutdowns cost money. That's why there is a Texaco "bulk plant" in every industrial neighborhood—a Texaco truck ready for prompt delivery...oil-wise Texaco engineers always on call. You'll find one of these 2108 Texaco bulk plants within easy reach by 'phone. Call

THE TEXAS COMPANY in 48 States





# Light on a National Problem



Within the circle of picture at left is a truck 200 feet in front of the camera. Photograph above shows the same shot except that the truck is 500 feet ahead of the camera. Picture below shows how modern lighting can make a highway practically as safe after dark as it is by daylight

**A**BOUT 60 per cent of the 39,700 traffic fatalities in 1937 occurred at night, mostly on major highways when only one out of every four cars is on the road. Most deaths were in rural areas.

The only important factor concerned with accidents that changes after sundown is light, according to information collected by the Street and Highway Lighting Safety Bureau. By lighting the small percentage of our roads which can be classified as major thoroughfares and as extra-hazardous night mileage, the annual saving, it is estimated, would be 6,500 lives and more than 200,000 cases of disability.

Highway specifications provide for 1,800 feet of unobstructed vision as essential to safety, even with the advantage of daylight. At night maximum visibility includes only 200 feet on a light, dry road surface. That distance is covered in about two seconds when a car attains a speed of 60 miles an hour.

Within the circle of picture above is a truck 200 feet in front of the camera. Picture at right and above shows the same shot except that the truck is 500 feet ahead and the highway is properly lighted.

Not only does modern highway lighting make obstacles clearly visible in time to avoid accidents, or in time to reduce speed, but it marks the course of the road far ahead.

Invention and development in the past



few years have made lighting like that in the other picture economically practical. Gaseous vapor lamps produce light with as much as three times the efficiency as was possible before. In these particular instances sodium-vapor lamps, casting a soft golden light, are used. Mercury-vapor and high-intensity incandescent lamps are also particularly suitable for safety lighting under certain conditions.

Changes in equipment and in the technique of lighting have also helped the cause of highway illumination. Most satisfactory arrangement has proven to be mounting lights at 25 to 30 feet or more above surface and extended well out over the road.

Average costs of good, modern highway lighting are between \$3,000 and \$4,-

000 a mile. Operating and maintenance costs average between \$500 to \$800 a mile a year. Lighting is generally estimated to cost between five and six per cent of the original road cost.

Sodium-vapor lamps have received more attention as a result of lighting experiments because they are reported to be three times as efficient as the old time lamps on the basis of light produced per watt. Their golden light is apparently more effective in combatting weather conditions such as fog and rain and research indicates that they seem to have the effect of retarding speed and bringing out more cautious driving. Possibly this is due to their mellow light which is restful and pleasant to the eye.

—E. M. RICE



# NOW! A REVOLUTIONARY NEW *MONEY SAVING* TRUCK TIRE

HERE'S THE BIGGEST  
TRUCK TIRE NEWS  
IN 10 YEARS!!



- ☆ It does NOT get dangerously hot
- ☆ It licks load and speed problems
- ☆ It practically eliminates sidewall breaks
- ☆ It carries no premium price

It's startling but it's true! Goodrich has a new truck tire that positively does not run dangerously hot—a tire built to stand up under peak loads and high speeds—a tire that actually runs two and three times longer on "tire-killer" hauls.

The secret of this amazing performance lies in an utterly different type of construction. Goodrich engineers discarded old ways of doing things. Developed an entirely new kind of cord. Hi-Flex Cord. A compact cord, smaller in diameter, yet containing as much cotton as the thick cord now universally used.

Ordinary cord stretches under constant flexing. Grows longer, takes a permanent set. That's what causes tires to "grow," to become flabby.

#### NEW LONG-LIFE CORD

Hi-Flex Cord is elastic. It gives under flexing, then returns to its original length. It retains its "life" and strength through thousands of miles of pounding, battering service on the road.

This compact Hi-Flex Cord makes it possible for Goodrich to build a tire of super-strength, yet a tire that is not too thick, heavy, or bulky. A tire that runs COOLER.

#### EXCLUSIVE WITH GOODRICH

Only Goodrich uses this Hi-Flex Cord. Only Goodrich can give you the combination of these three exclusive features which, working together, make the new Goodrich truck tire today's best buy:

- 1 **PLYFLEX**—which distributes stresses throughout the tire and prevents local weakness.
- 2 **PLY-LOCK**—which protects the short plies from tearing loose above the beads.
- 3 **HI-FLEX CORD**—full-floated in live rubber—cord that retains its strength and protects the tire against getting dangerously hot.

These new Silvertowns have been used on tire-killing jobs where no tires would stand up. Tested on the toughest cross-country bus runs. What did they find? That they ran 2 and 3 times longer than the best tires used before!

#### NO EXTRA COST

Now you can get these tires for *your* trucks and buses. If you have a tough job, your tire bill will dive downward. On any job you'll save plenty. And there is no premium price to pay.

Every Goodrich dealer now has these extra quality Silvertowns at no extra cost. Look under Goodrich in the phone book. Make that money-saving call today.

# Goodrich *Triple Protected* Silvertowns

SPECIFY THESE NEW SILVERTOWN TIRES FOR TRUCKS AND BUSES



# The Map of the Nation's Business

By FRANK GREENE



JANUARY saw a rather hesitant trend in industrial production from year-end lows. Steel output, slightly above 30 per cent of capacity, varied greatly in different districts. Hampered by heavy used car inventories, the automotive industry operated on a short schedule.

Electricity production was well below last year, as were most other indicators. Notwithstanding larger crops, carloadings were smaller than in the like periods of the two preceding years, although the year-to-year decline in January was smaller than in December.

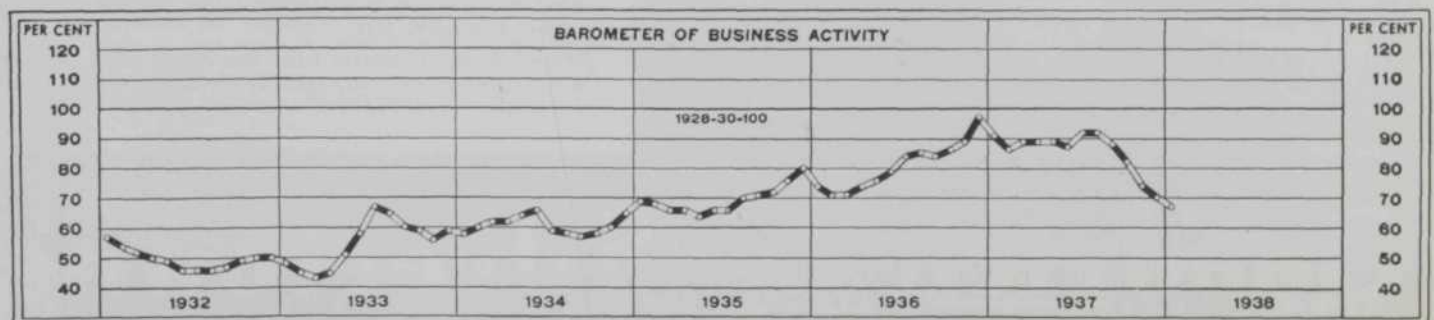
Excessive petroleum production resulted in curtailment plans. The copper industry improved slightly as did machine tool orders. Woolen mill and shoe outputs were well maintained. Cautious retail buying was general.

Grain prices were unsettled. Cotton moved in a narrow range. Commodity prices generally reached the lowest level since 1934. Failures were more than usually numerous, especially among retailers and manufacturers.

With the ebb in trade and industry still unchecked, the map takes on a slightly darker hue



The map of last month



BASED ON INFORMATION SUPPLIED BY DUN & BRADSTREET, INC.

The more moderate dip in the January chart line contrasts with the abrupt decline of the last quarter of 1937



# CHEVROLET TRUCKS



**It certainly pays to buy Chevrolets—they're durable... they're dependable... they're long-lived... they're economical to buy, operate and maintain**

**CHEVROLET** Cut your haulage costs with Chevrolet trucks—the *thrift-carriers for the nation*—and get better all-round haulage service along with greater all-round economy.

The best proof that Chevrolet trucks will give you more satisfactory results is the fact that the nation has purchased more Chevrolet trucks over the last five years than any other make, *plus* the enthusiastic tributes of Chevrolet users.

"More than 150,000 miles of dependable service!" "The low gas and oil consumption surprises us!" "My Chevrolet truck is always on the job—it has cost me practically nothing for repairs."

These are typical of the statements of Chevrolet users—large and small—in all parts of the country, and you will have the same good experience.

Save on first cost, save on gas and oil, save on upkeep, by choosing Chevrolet trucks. Your Chevrolet dealer will be glad to give you a thorough demonstration—*today!*

*General Motors Instalment Plan—Convenient, Economical Monthly Payments. A General Motors Value.*  
CHEVROLET MOTOR DIVISION, General Motors Sales Corporation, DETROIT, MICHIGAN

"... which has been driven 56,000 miles to date, with no delays on the road, and no upkeep expense other than ordinary maintenance. I am proud to recommend Chevrolet trucks to anyone."

ELMER J. SPROUL  
Stoughton, Wisc.

"... The two 1936 trucks which we purchased have now covered over 100,000 miles and for economy and dependability they cannot be beat..."

IRVING WAGMAN  
IRVING WAGMAN, Inc.  
Brooklyn, N. Y.

"... I went into the ice cream business and bought a 1½-ton stake Chevrolet truck; this truck was driven 200,000 miles, at a minimum expense... I can personally recommend Chevrolet to anyone who has a hauling problem."

E. S. TOMPKINS  
TOMPKINS ICE CREAM CO.  
Rockford, Illinois

These three excerpts are typical of the fine letters received from Chevrolet truck users in all parts of the country.

**"THE THRIFT-CARRIERS FOR THE NATION"**



# Washington and Your Business

By HERBERT COREY

## Letting Tail Go With the Hide

UNEASY lies the head that wears the comptroller general's eyeshade. Unless the Congress is willing to relax its control over the fiscal affairs of the Government, no condition should be permitted to prevail which tends to weaken the effectiveness of the organization which it has created as a means of exercising such control.

Then Acting Comptroller General R. N. Elliott goes on to give the impression that, in his efforts to find out how some of the departments, bureaus, corporations and agencies of the Government are spending federal money, he is as helpless as a man chasing a batch of spring lambs with a butterfly net.

He names a long list of offenders.

In theory government agencies are provided with money through appropriation bills and cover their receipts into the general treasury.

But Elliott finds that many of these agencies deposit their receipts in the Treasury and check against them without making an accounting. So they have their appropriations plus their earnings. They eat their cake and still have it.

No one can possibly know the financial position of the Government. The C.G. has no authority to enforce his rulings.

## Confounding The Confusion

JUST to make it sweeter, the corporations lend each other money and sell bonds and underwrite vague obligations.

The R.F.C. took \$10,000,000 of the capital stock of the Reconstruction Finance Mortgage Company. The Inland Waterways Corporation "functions entirely on funds derived from operations" but began its career of competition with the railroads on federal funds.

The Corporation of Foreign Security Holders was authorized by law to borrow money. The Gorgas Memorial Institute does not report.

Neither does the Panama Railroad Company nor the Federal Land Banks nor the Federal Intermediate Credit banks nor the Federal Home Loan banks. The F.D.I.C. does not show its books. The War Finance Corporation was created in 1918 and is now in liquidation and has never told the story. Something like \$4,000,000,000 went into it. The T.V.A. Cooperatives say they "are not subject." The Philippine and Puerto Rican Governments do not report. As to the Home Owners Loan Corporation "the funds are not being covered into the Treasury, no accounting is rendered to the General Accounting Office, and there is no independent audit of the transactions—"

Ho, hum.

## 500 Ships for The New Navy?

IT HAS been stated on good authority—GOOD authority? It's perfect—that 500 bottoms will be needed for the new Navy. These are to be the supply train, loaded with oil, chow and munitions. If World War precedent is followed, they may carry Dancing Units and WPA Vaudeville teams. It is presumed the plan provides that they shall double as merchant vessels while peace prevails. It is also reported on good enough authority that, when Joseph E.

Kennedy, ex-chief of the Maritime Commission, contemplates this plan he sits down in a strong chair and holds his head.

## One Year In Knee Breeches?

KENNEDY proposes to spend only one year at the Court of St. James. In that period he can have the very charming Mrs. Kennedy presented at Court—and that is a legitimate ambition of every American wife—take his nine children for a brisk run through the English countryside, and get down to brass tacks with British shipmasters. This department expresses a strong hunch that at the end of the year Great Britain will try to pay him money and give him a knighthood if he will settle down in London, just as was the case with Sir Henry Thornton, the American railroad man who showed 'em how. A sub-hunch is that Treasurer Morgenthau will not be utterly happy unless Kennedy does it.

## But He Wants To Go Back Home

LID-LIFTERS hint that Henry F. Grady is boiling up toward the top of the pot. He may even take the high place in the inner circles of court that has been at least temporarily vacated by Kennedy. Grady is chairman of the Committee for Reciprocity Information and vice chairman of the U. S. Tariff Commission, which seats him prettily.

He is of the Kennedy type, being frank and forceful in conversation, but, when he must, will say "yes" for the good of the order. He is a high card on the Pacific Coast and if he wanted anything he could probably get it. Anything, that is, except the thing he most wants, which is to go home. Stick a pin through his name on the program.

## Help for Small Business Men

CHAIRMAN Jesse Jones of the R.F.C. is rated as hard-boiled. He is reported as saying of the distressed men in little businesses:

"The banks are full of money. If they have assets, they can borrow on them."

It does not always work out that way. The head of a business in Ohio with 100 persons on the pay roll wrote:

"We are losing \$10,000 a month. Our accounts are all good, but we can make no collections. We are not in debt. But we cannot borrow on our farm property and we cannot sell the apartment house we own and we cannot quit because the articles we sell are indispensable to doctors. We cannot keep going much longer.

"What can we do?"

## Sign Here and Get the Money

DOUGLAS of the S.E.C. and Eccles of the Federal Reserve Board were early converted to the idea of lending small industry money to keep it going. They look at the problem realistically. Others who have high vocal place in Washington see in it a chance to do a little trust-busting:

"If you sign an agreement to conduct your business along the competitive lines we will outline, the Government will lend you the money" they would propose to the business borrowers.

The scheme is not being pleasantly accepted on Capitol

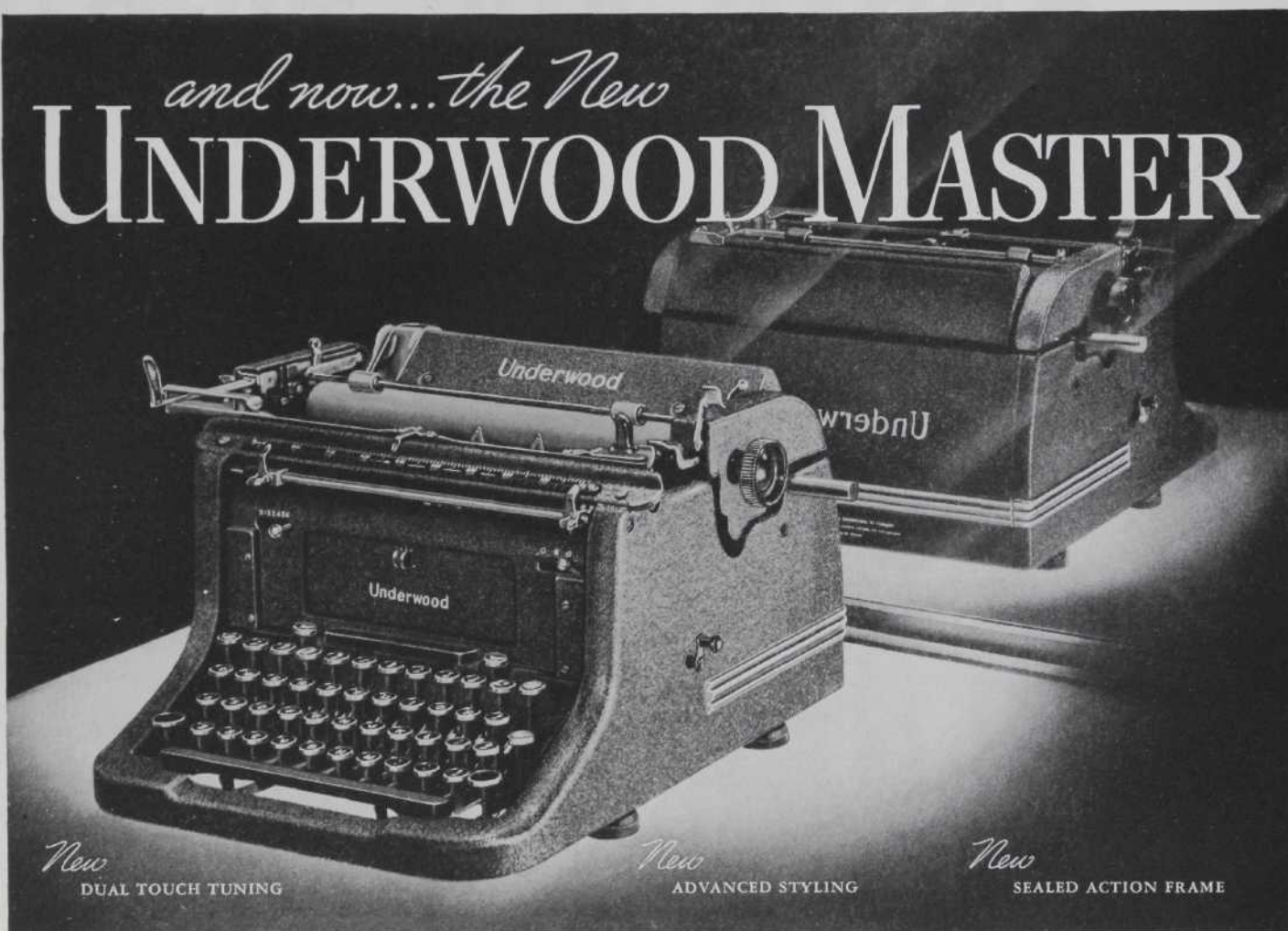


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## THE SATURDAY EVENING POST



Hill. There is a growing feeling up there that some of the cooks have spoiled a good deal of broth. The things some of the senators have said about the new tax plan are almost actionable.

### What's a Storm Among Friends?

ONE of the visitors to the recent presidential business conferences came away with the distinct impression, he reports, that Mr. Roosevelt does not propose to temper the federal wind to the shorn lamb:

"I am only speaking for myself," he said, "and not for my group. During our visit, Mr. Roosevelt talked most of the time and hardly listened to us at all. That was all right. We wanted to hear what he had to say. If I understood him correctly, he thinks this 'recession' will have run its course by spring. He sees no reason to change his course in any way.

"The temporary inconvenience business may suffer will be more than made up for by the gifts to be brought by the future."

### Utility Billion Spending Is Out

MEN who are in a position to know report that the possibility that the utilities might spend anywhere from one to four billion dollars this year is definitely out. They say in effect:

We cannot risk the money in face of the Government's hostility. The Seven T. V. A.'s plan has been scotched but it is not dead. The recent decision of the courts gives the Government a free hand to undersell and ruin a utility that might venture to compete with a government plant. Mr. Roosevelt's suggestion that, if the security dealers will not get the money for us, we should go to the thrifty folk of the neighborhood is not helpful. They are too thrifty to lend it.

### Something As Good As N.R.A.

THERE will not be another N.R.A. That dead chicken of the Schechter brothers picked that idea to death. But there will definitely be an effort to tighten Government's control over industry on some as yet unformulated plan. It will do no harm to watch the utterances of Robert H. Jackson along this line.

If he does not voice President Roosevelt's ideas, Jackson certainly does not know it. The preliminary build-up will be antimonopoly, antibigness, financial aid to small business, and an attack on chain stores. Government control of prices through some form of licensing corporations doing interstate business—which is a provision that can be stretched—will be a feature. An effort to "restore the American town" will be put forward as an argument for shifting industries from cities into the semirural districts.

### May Attack the Golden Hoard

ONE of Marriner Eccles's arguments seems to have backfired. He told a congressional committee that it was a mistake to grant that \$2,000,000,000 bonus to the soldiers:

"It made a false and fleeting prosperity" was the tenor of his statement.

But Congressmen—some of them at least—note that the people seemed to like the prosperity while it lasted. They suspect the same effect could be produced by digging under Fort Owens, Ky., and releasing some part of the \$9,000,000,000 in gold direct into the channels of trade. They maintain that it is doing no good where it is and that it might be permitted to seep out a little at a time and be drawn back if the experiment proved hurtful. They also point out that this would result in the big spending they believe will be forced on the Government to get out of the present depression without adding to the Government's debts. Thus every one would be pleased.

### Truckers Want Rate Boosts

SUB-GRASS-ROOT murmurings indicate that the trucking industry may mobilize in a big way before long. The truckmen want the same rise in rates the railroads asked of the I.C.C. but that's only part of it. They do a \$1,000,000,000 annual business now, they are being whiffed at by small owners, who get along with only a little sleep now and then and live entirely on fried egg sandwiches, and they are being worse bedevilled by hijackers than outsiders guess. Hence these possibilities:

A big, tight-knit organization, nation-wide. A heavy beardown on Congress. A set-up which will enable them to help the railroads, which they want to do if the roads will reciprocate. A bounty on the scalps of the individual owners they call chisellers.

### Who's Knockin' At the Door?

BARNACLE Bill Government will be knocking on corporation doors, if the Borah-O'Mahoney bill becomes a law, a good deal more loudly than the old sailor has as yet. One clause in that bill provides that stockholders who are unable to attend a stockholders' meeting may turn over their proxies to persons licensed by the Federal Trade Commission.

These government officials, for that is what they would be in fact, would then attend the meeting and:

Take such action as may be necessary to safeguard the interests of the stockholders.

Corporation officers who have been getting such proxies in their own names will not like that.

### Witch-grass on Nebraska Hills

ONE man who does not believe that Government can handle private business better than business itself can writes from Nebraska to discuss Senator Norris's pet water, sunshine and good-will schemes:

The Sutherland and Columbus projects will undoubtedly default on their loan payments and the PWA may foreclose and take over the projects. Political rather than economic influences will govern in these two projects. The Tri-County Project may never be completed or may be partially completed as an irrigation project.

He writes that the total estimated cost of the three projects is in the neighborhood of \$78,000,000.

Note: Senator Norris has been pretty vivid in his comments on utility magnates who guessed wrong.

### Gets Complexer And Complexer

NOT that any one would asperse the capacities of a government board in dealing with private business. The Bituminous Coal Commission put out a set of rules:

"Grand rules," said a congressman who lives in a coal district. "Couldn't be better. I don't know as I ever saw as good rules—"

He estimated that, under the rules, there were 1,300,000 possible prices for coal in his district alone. There are 20-odd coal districts. Think what a commission could do with a really complex industry like automobile making or telephoning.

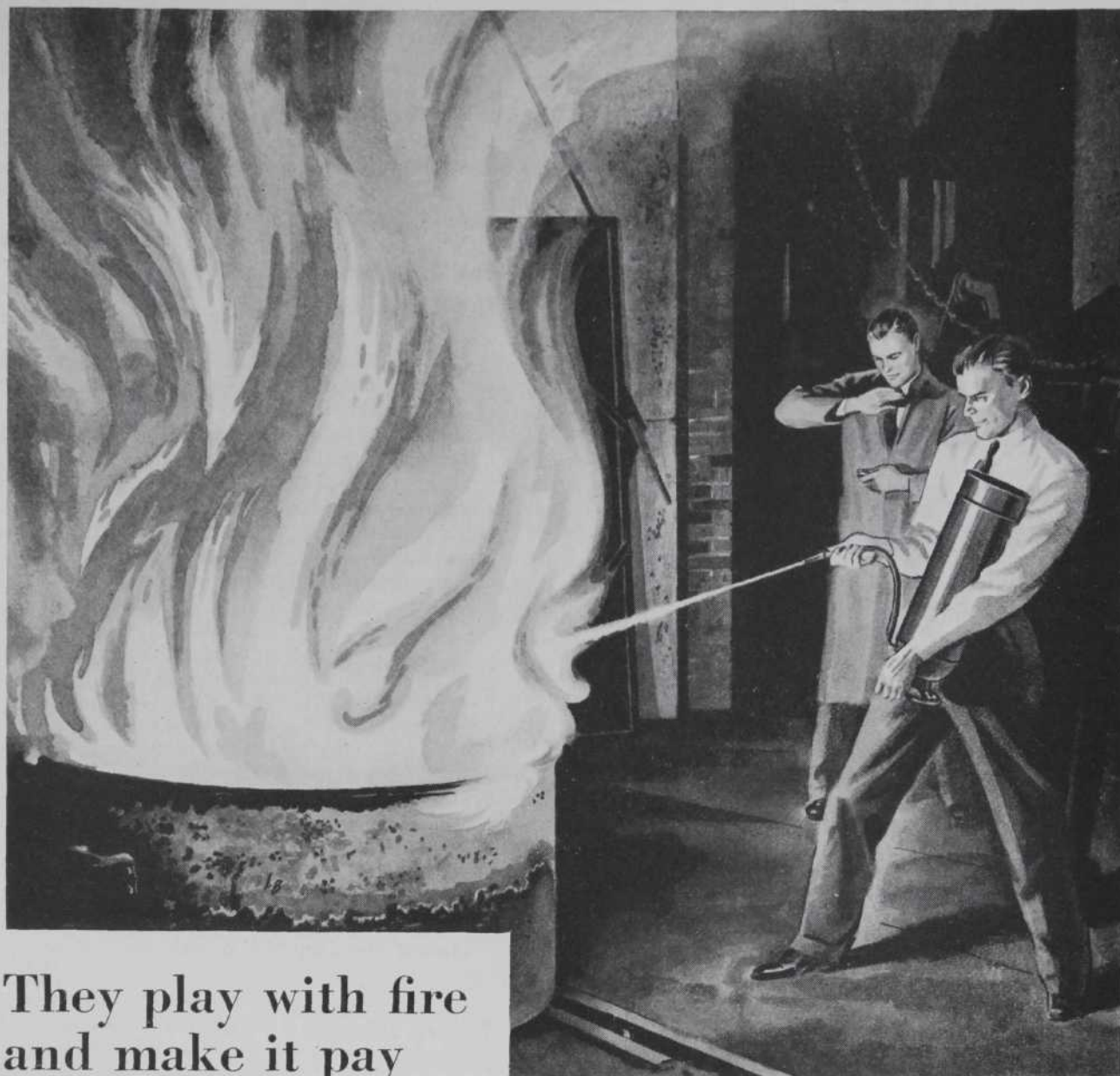
### Just An Old-Fashioned Man

BLAME this on Dr. Arthur T. McCormack, State Health Officer of Kentucky:

"Chandler went old-fashioned on 'em," he said. "He regulated the utilities instead of using a cold chisel."

The State Commission and the utility chiefs talked matters over, discussed costs and rate bases and exten-





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sions and kept their tempers. Result: rates lowered, lines extended, no court costs, everybody happy. That's what McCormack says.

### Here's What A Diapason Can Do

in a more satisfying way. Results:

Lewis's salary shot up to \$25,000, which is good money in a depression year;

Open war was declared on the A. F. of L. which was a slap at David Dubinsky, who had called for peace. Dubinsky once said that Lewis was getting too big for his jodhpurs, or something like that;

Rumor is once more rife that the C.I.O. is a bad risk.

### Investigation of Labor Is Coming

industry and the farmer and their interlockings and implications. Said an observer:

A committee can be found the members of which would not be moved by a desire to gain partisan ends, or hang any one, or sprawl all over the first pages. That committee could so enlighten the people that a just and impartial device could be framed. At present no one is satisfied.

He did not name the committee.

### Hull Is Like Cousin Egbert

Harry Leon Wilson's "Cousin Egbert," he "can be pushed too far." Mexico's recent overnight boost of tariff rates against the United States, taken with the favoritism shown certain European nations, has considerably fretted Mr. Hull. At the same time we are buying Mexico's silver at a fancy price, and permitting her government to buy arms which are in turn forbidden to the numerous Mexican insurgents. It may be recalled that, when he was a stripling judge in Tennessee, some of the tougher hillbillies shot up the court town in the effort to scare the judge. He called the grand jury out of its room:

"Go git 'em," he ordered briefly. They got 'em.

### One Fond Look At the Past

Some progress has been made since then toward extending this program to other phases of working conditions.

The evidence seems to be that the plan works.

Interstate compacts were provided for in the federal Constitution as a means to obtain desired ends without resorting to the centralization of government, which the framers of the Constitution feared. The effect of a federal wage-hour law, if and when enacted, upon such interstate compacts is at the least doubtful.

### "Forgotten Man" Must Kick In

job at one time because he was being interfered with and only picked it up again on the promise that the rule would be hands off. Now he is going back to New York again.

JOHN L. LEWIS tied down the vox humana and let the United Mine Workers have it and they loved it. No other union reacts to Shakespeare, John Milton and the Bible

PERHAPS not in this session—for this is an election year—but eventually there will be a sober, painstaking, honest inquiry by the Senate into the problems of labor and

SECRETARY of State Hull is as patient and long suffering and considerate a man as can be found in a political firmament not remarkable for these qualities. But, like

IN 1934 seven states in the Northeast signed a compact at Concord, N. H., for the maintenance of standards of working conditions as exemplified by minimum wage laws.

MEMBERS of the Ways and Means committee say that Roswell Magill has remembered the forgotten man and how! Magill is the Treasury's

sure-enough tax expert. He quit his

He has a flourishing law practice there, he teaches at Columbia and, if the truth were known, he is probably something of a Tory at heart. When the elections of 1938 are out of the way, Magill's complete plan may be offered to the House. It involves a broadening of the income tax base to take in low wage earners who have heretofore escaped, plus an increase in the income tax and the surtax and, if possible, elimination of tax exemptions.

### Put 'Em Under The Game Law

"Provide 'em with facilities and enough money to live on and let 'em invent."

Simon Lake thinks all the inventors need is a little protection. About as much as Government gives game fishes. He says that an inventor cannot be kept from inventing and he should know, for in the face of every discouragement he was the first man to make the submarine work. If they could get the information about laws, patent possibilities, and other matters which they badly need, the prospects of the future are limitless.

### Lewis Called For Crystals

REPORTERS had a good deal of fun with the convention of small business men in Washington. All wrong. The small business men paid their own way to Washington to tell the Government what was wrong with it and they did so. If a good many of them spoke at once no harm was done. Whereas, if one of those who sat in on one of the conferences of Big Business Men with the President is accurate, those well dressed gentlemen just sat.

"John L. Lewis was the only one who talked" said he. "He told the President the only thing this country needs is a crystallized policy. Then he said it all over again." Sounds like a small business man.

### Theory Takes A Nose Dive

THE so-called "Brandeis school" of thought in Washington is all for littleness in business as against bigness. Its spokesmen call for the breaking down of industry into small units and the resurrection of the machine shop and the decline of the factory. Precisely how they answer such a statement as that made by Walter S. Tower, the Secretary of the American Iron and Steel Institute, has not yet been made known:

The minimum investment of \$50,000,000 would be required before even the smallest economical unit in integrated steel production could make a ton of steel and for any such figure only a very limited range of products could be offered.

If industrial bigness were supplanted by industrial littleness, the United States would be as helpless as a pigeon coop in the next war.

### No Sauce for These Ganders

GOVERNMENT seems to want plenty of sauce for its own goose but objects to pouring it on the other fellow's gander. The Inland Waterways Corporation began life with a

\$25,000,000 bank roll provided by Congress, plus many valuable odds and ends of barges and what-nots:

The aim is to prove that freight carrying on our rivers and canals is a valuable adjunct to our system of rail transportation. When the Corporation begins to make money the Government will sell it.

Now it is making money and the Government will not sell. But when the N. Y. Central tried to junk a short line at Niagara Falls because it is losing money the I.C.C. would not permit it. In war the Government might need it.



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# Speaking of Finance

By EDWARD H. COLLINS

Associate Financial Editor, the New York Herald Tribune

THERE were several purposes behind the passage, on March 3, 1933, of section 77 of the bankruptcy act. One of these, sponsors of the measure declared at the time, was the prevention of "the wholesale plundering of the railroads by reorganization managers (meaning bankers), by way of fees and for commissions covering

new securities"; another was the ending of practices by which, it was alleged, management had become self-perpetuating. A third was the elimination of the protracted period under which the roads frequently remained in the courts.

There is no question that the old methods of reorganization under

courts of equity left much to be desired. Certainly, the individual security holder was, as a practical matter, at a serious disadvantage. It was hoped that section 77 would largely remove the whole process of reorganization from the hands of the bankers. The debtor corporation or five per cent of its creditors might petition for a trustee. Protective committees in the pre-77 meaning of the term were discouraged from coming into the picture. Full hearings were to be provided before the I.C.C. on any reorganization plan submitted, and, finally, before a plan could become effective, a referendum was to be held to insure that it had the endorsement of two-thirds of each class of security holders.

## A cumbersome procedure

IT IS now five years since section 77 was made law. In two of these five years we have had comparative prosperity yet this new measure is yet to prove itself. Whatever one may feel about its high purposes, even its friends are coming to the reluctant conclusion today that it not only has failed to eliminate the "protracted delays" so often attendant on equity receiverships, but is infinitely more cumbersome and more unworkable than the older mechanism.

Under "77" today nearly 100 railroads, whose total mileage is not far from 30 per cent of that of the entire country, are in the hands of the courts or of trustees. Eighty per cent of this mileage has become insolvent since the advent of 77 and is being reorganized, almost without exception, under that provision of the law.

Yet not a single reorganization plan has been passed upon by the Interstate Commerce Commission. The Chicago Great Western, a relatively simple problem, is the furthest advanced toward reorganization. The Missouri Pacific, the first of the important systems to file under the new law, has made fair progress, but even if everything should go smoothly (which apparently is rarely the case with reorganizations), this system will not be back in the hands of private owners before September. Since the M.O.P. filed in March, 1933, this would represent a five-and-one-

## From a Business Man's Scratch Pad . . . No. 23





## BIG BUSINESS—NO. 2



## More Income to More People

SINCE 1850, the average wage rate in American industry has increased 500%. Even allowing for increases in the cost of living, the "real wage"—that is, the purchasing power of labor in terms of goods—has approximately doubled since 1900.

The worker has also been receiving a steadily increasing proportion of the total income available. In 1900, wage and salary payments represented only 53% of the national income. By 1934, the figure had increased to 67% of national income. Taking the manufacturing industries alone, the percentage of income paid in wages and salaries amounts to 80%.

If all the profits of all the corporations that reported for income tax purposes in 1935 had been turned

over to workers instead of to stockholders, the resulting increase in wages would have been less than 8%.

Industry has done more than pay workers out of its income. In times of stress it has paid them out of its deficits. In the three years ended 1932, American business paid out 24 billion dollars more than it took in—paid from its savings of preceding years—thus making by far the greatest contribution toward sustaining public purchasing power during the depression.

The American system of private industry and business, although it has its faults, has nevertheless distributed more income to more people than any other system in the history of the world.

*As bankers for commercial and industrial enterprises, it is part of our responsibility to contribute something to a better understanding of the facts about private business.*

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half-year period. The following list includes the most important roads now in the hands of the courts or trustees with their mileage and the dates when their financial difficulties carried them under.

Road	Miles	Date of Receivership	
Minneapolis and St. Louis	1,528	July	1923
Georgia & Florida	408	October	1929
Seaboard Air Line	4,307	December	1930
Florida East Coast	684	September	1931
Wabash	2,446	December	1931
Mobile & Ohio	1,201	June	1932
Norfolk Southern	834	July	1932
St. Louis-San Francisco	4,885	November	1932
Wisconsin Central	1,140	December	1932
Central of Georgia	1,926	December	1932
Rock Island	8,139	June	1933
Missouri Pacific	7,170	July	1933
St. Louis, Brownsville & Mexico	602	July	1933
International-Great Northern	1,155	July	1933
Chicago & Eastern Illinois	931	September	1933
Chicago, Indiana & Louisville	607	December	1933
Chicago Great Western	1,505	March	1935
St. Paul	11,117	June	1935
Chicago & North Western	8,400	June	1935
Western Pacific	1,207	August	1935
New Haven	2,033	October	1935
Denver & Rio Grande			
Western	2,581	November	1935
St. Louis-Southwestern	1,749	December	1935
Duluth, South Shore & Atlanta	549	January	1937
New York, Ontario & Western	576	May	1937
Erie	2,304	January	1938

It may be remarked that, even if "77" has worked slowly in producing reorganizations, proponents of equity receivership are scarcely in a position to make a point of the fact. As the list shows, at least ten roads that went into equity receivership between 1923 and 1932 are not yet restored to the status of going concerns.

The case of the Minneapolis & St. Louis, which is now almost an historic curiosity since it has survived both the depression and the preceding boom, is a rather special one. It centers around the abandonment of numerous branch lines, which the road no longer finds profitable but which the public insists be maintained. So far as the others are concerned, it may be observed that railroads are rarely revived during the declining phase of the business cycle; they are floated out on the tide of recovery.

There is no intention to suggest, moreover, that the philosophy of "77" be abandoned in favor of a return to the "good old days." It is my view, however, that the measure has been

a disappointment, so far as practical administration is concerned, and that it needs a "tightening up" all around. Some of its weaknesses are those which are inherent in all reform legislation.

In the effort to curtail the power of the banker protective committees, for example, the law has virtually done away with anything resembling reorganization leadership. The small security holder was often badly represented by the protective committee which solicited his deposition but the law as it stands scarcely strengthens his position, since it makes the duties of committees so unduly hazardous.

One unfortunate result of this is to encourage investment companies or private individuals who are able to look out for their own interests to accumulate the securities of bankrupt companies at bargain prices. In the meantime, as F. J. Lisman recently pointed out, the small investor and the small speculator are, in the argot of Wall Street, "shaken out."

### Institutions have committees

SOMETHING like \$7,000,000,000 of the nation's railroad bonds are held by institutional investors. Section 77, which does not object to security holders being represented, but objects merely to their being represented by outsiders who make a handsome profit out of it, recognizes a logical exception to its anti-committee attitude in the case of these groups. The 1935 amendment to the law states:

Nothing contained in this section . . . should be construed . . . to prohibit groups of not more than 25 bona-fide holders of securities or claims or groups of mutual institutions from acting together for their own interest and not for others through representatives or otherwise or from authorizing representatives of such groups to act for them. . . .

As a result of this exception to the general policy toward protective committees, the institutional holders of securities, such as insurance companies and savings banks, have been much in the foreground in recent reorganizations. However, they have by no means been without their problems. In the first place, they have found it difficult to get around the fact that, as is frequently the case, they represent several classes of securities. In the second place, they have a special situation to face. As trustee institutions they may not buy equities, and when they come into possession of this class of security they may hold it only for a limited period. As a result, institutional committees rarely see eye to eye with the Commission when it comes to the preparation of a reorganization plan.

Trustees under various mortgage indentures have also tried their hand

at getting their respective groups of security holders together but without conspicuous success. Neither the institutional committees nor the trustee groups have thus far seen plans of theirs approved.

What many close students of the bankruptcy law regard as a serious defect of "77" is the tremendous burden which the law throws upon the Interstate Commerce Commission. Under the terms of the law, the Commission which is a quasi judicial body only must pass upon matters of equity, economics, law, and innumerable details, any one of which may be cause for subsequent court action.

In the days of the equity receivership, the I.C.C. did not come into the picture until most of the controversy had been ironed out. In fairness, it should be observed that this had its drawback as well as its advantage. In effect, the I.C.C. was faced with a *fait accompli*. Frequently it passed upon plans which it might have preferred to modify had it not felt that it would be undoing the work of months. It is handed today a shapeless mass which it has to mould by a long, tedious process into a finished reorganization plan. Unlike equity courts, the I.C.C. cannot approve a plan of reorganization simply because most of the parties agree to it. Therefore it remains to be seen how much weight the court does give to an agreed plan.

But perhaps the chief difficulty of "77" is the time it consumes. Its complexity can only be fully appreciated, as a matter of fact, by considering the 13 steps which it involves. They require, at the minimum, 540 days, which means that the mere ritual of the law—barring prolonged controversies and important changes in the earning situation of the road—takes a year and a half. The minimum time from the filing of the plan to the referendum vote of the security holders is 420 days, or 14 months. To observe the changes that can occur in such an interval to alter the reorganization picture, one has merely to contemplate the picture of the railroads today, on the one hand, and 14 months ago, on the other.

Let me repeat that this is not a proposal for abandoning the ideals or the principles of section 77. It would have been only slightly less than a miracle had the first version of so revolutionary a change in bankruptcy practice worked perfectly. Let it be added that any general survey of the reasons behind the recent long drawn-out receiverships would show the economic situation, not the legal procedure, to have been mainly at fault.

All of this, however, does not alter the fact that more efficient machinery for reorganization is required than that provided today under section 77.



# Commercial Credit Company

## Baltimore

### Twenty Sixth Annual Consolidated Financial Report

#### AS OF DECEMBER 31, 1937

#### ASSETS

Cash		\$ 28,077,827.23
Motor Lien Retail Time Sales Notes	\$155,015,564.40	
Motor Lien Wholesale Notes and Acceptances	60,740,756.14	
Industrial Lien Retail Time Sales Notes	57,795,609.16	
Open Accounts, Notes and Factoring Receivables	33,893,956.19	307,445,885.89
Sundry Accounts and Notes Receivable		740,537.05
Customers' Liability on Foreign Drafts and Letters of Credit (Contra)		138,683.77
Repossessions in Companies' possession at depreciated values:		
Motor Cars	\$ 145,112.22	
Other than Motor Cars	16,689.83	161,802.05
Investments:		
Sundry Marketable Securities at book value (market value \$442,379.50)	\$ 414,936.13	
Investment Securities held by American Credit Indemnity Company of New York, at market value	4,775,710.42	5,190,645.55
Deferred Charges:		
Interest and Discount Prepaid, etc.	\$ 1,103,024.37	
Unamortized Debt Discount and Expense	820,288.00	1,923,312.37
Furniture and Fixtures		4.00
		<u>\$343,678,697.91</u>

#### LIABILITIES

Unsecured Short Term Notes (Subsidiaries \$6,496,155.88)		\$171,786,655.88
Accounts Payable:		
Credit Balances of Manufacturers and Selling Agents held by Factoring Subsidiaries	\$ 2,164,214.51	
Sundry, including Accruals, Federal and other Taxes	6,123,728.72	8,287,943.23
23 3/4% Debentures due 1942	\$ 35,000,000.00	
3 3/4% Debentures due 1951	30,000,000.00	65,000,000.00
Contingent Liability on Foreign Drafts and Letters of Credit (Contra)		138,683.77
Contingent Reserves:		
Margin due Customers only when Receivables are collected	\$ 6,054,633.01	
Dealers' Participating Loss Reserves	6,268,432.59	12,323,065.60
Reserves for:		
Possible Losses and Contingencies	\$ 5,226,991.37	
American Credit Indemnity Company of New York, Reserves required by Insurance Regulations, plus Voluntary Reserves of \$500,000	1,122,606.64	
Deferred Income and Charges (unearned)	15,121,208.85	21,470,806.86
Capital Stock and Surplus:		
Minority Interests (Common Stock and Surplus—Subsidiaries)	\$ 44,668.00	
Preferred Stock, \$100 par value		
499,646 shares authorized—121,948 shares outstanding designated as:		
4 3/4% Cumulative Convertible	12,194,800.00	
Common Stock, \$10 par value:		
(3,000,000 shares authorized—1,840,900 full shares and 1,094 shares of fractional scrip outstanding)	18,419,940.00	
Capital Surplus	\$17,964,493.87	
Earned Surplus	16,047,640.70	34,012,134.57
		<u>\$343,678,697.91</u>

#### Summary of Operations

	Year Ended Dec. 31, 1937
Gross Receivables Purchased	\$933,854,331.85
Gross Operating Income	\$ 33,966,634.46
Sundry Income	700,218.37
Gross Income	\$ 34,666,852.83
Operating Expenses:	
Officers, Employees and Agents Salaries, Commissions and special compensation	7,426,642.70
Taxes (except Federal Income and Undistributed Profits)	787,025.19
Management Expenses	6,646,659.03
Reserves for Losses in Excess of Net Losses (Credit)	912,635.55
Net Income before Interest and Discount	\$ 20,719,161.46
Interest and Discount Charges	3,781,604.71
Reserve for Federal Income Taxes	2,916,609.59
Net Income from Operations	\$ 14,020,947.16
Less Net Income for Minority Interests	4,844.55
Net Income on Capital Stocks of Commercial Credit Company	\$ 14,016,102.61
Reserve for Federal Surtax on Undistributed Profits	422,983.50
Net Income credited to Surplus	\$ 13,593,119.11
	<u>1937 1936</u>
Interest and Discount Charges—Times Earned	5.47 8.50
After Federal Surtax on Undistributed Profits:	
Net Income per share on 4 3/4% Cumulative Convertible Preferred Stock outstanding at end of period	\$111.46 \$97.84
Dividend Requirements on 4 3/4% Cumulative Convertible Preferred Stock outstanding at end of period—Times earned	26.20 23.02
Net Income per share on Common Stock, including scrip, outstanding at end of period	\$7.09 \$6.07

#### Analysis of Earned Surplus

Net Income credited to Surplus	\$ 13,593,119.11
Excess Reserves on closed banks returned to Earned Surplus	41,828.22
Total	\$ 13,634,947.33
Less: dividends paid in cash on:	
4 3/4% Cumulative Convertible Preferred Stock	518,752.87
Common Stock (\$4 and \$1.50 extra per share)	10,123,656.50
Transferred to reserve for depreciation of securities to market value (American Credit Indemnity Company of N. Y.)	374,424.38
Furniture and Fixtures written off	359,825.20
Total	\$ 11,376,658.95
Net Surplus Credit for period	\$ 2,258,288.38
Earned Surplus Balance, beginning of period	13,789,352.32
Earned Surplus Balance, end of period	\$ 16,047,640.70

Commercial Credit Company conducts a highly specialized form of commercial banking through the purchase of receivables created by the sale of merchandise from the manufacturer to the consumer. It purchases current open accounts from manufacturers and wholesalers, who collect the accounts as usual, and limit their credit losses. Its subsidiaries, Textile Banking Company, Inc., and Edmund Wright Ginsberg Corporation, New York, offer "Factoring" service, under which they purchase and collect accounts, assuming all credit risk. Its subsidiary, American Credit Indemnity Company of New York offers "Credit Insurance" which reimburses credit losses in excess of an agreed percentage on annual sales, and guarantees specific accounts. The Company specializes in time payment financing of automobiles, refrigerators, heating equipment, radios, Diesel engines, time and labor saving machinery and other articles of a durable nature.



# Business Takes Its Own Part

**A** NEW spirit of business courage is abroad in the land. Six months ago business was inarticulate, afraid to tell its troubles. Now business men are "speaking out in meeting."

What has happened? What has made the difference in business psychology? This change has taken place in spite of the fact that for six months we have been in a severe "recession"—a period when profits were disappearing, when business was falling off, when the stock market was dipping. Conditions have been of a sort to instill fear and uncertainty rather than courage; yet the new spirit is manifest. What explains it?

One explanation is this:

About six months ago a new business state of mind began to assert itself. Acting upon a suggestion developed by the Chamber of Commerce of the United States, and publicized by this magazine, 700 business organizations are now evangelizing a program of education designed to tell the people the nature and purposes of American business.

In newspapers, in house organs, in bulletins; in factory and shop and business office; in national publications, and, through the cooperation of the members of the Outdoor Advertising Association, on 12,000 advertising boards, one simple message has been proclaimed:

"What helps business helps you."

## Business has had enough abuse

ALL along, these business men—big and little—thousands of them, have been reacting with suppressed resentment to unfair charges that have been hurled at them indiscriminately by demagogues and opportunists. Through all the criticism and the welter of governmental experimentation, these business men have been conscious of one important thing:

That, when it was all over, the world would once more look to business for its economic salvation.

They have known, and they have said among themselves, that when sound prosperity returns, business would bring it.

Now, as with one voice, they have begun to say this in public. They have blazoned it in the press; they have sermonized it in public meetings; they have put it on their stationery; they have proclaimed it over the radio. And they are discovering a new unity in the new courage and in the sense

of accomplishment that has come to them through the opportunities to get this plain message back into the consciousness of the American people.

Moreover, they are taking a new attitude toward their own responsibility. For several years they have been chafing under restraints and criticism. They have been indignant when elected officials have made capital of business failure. They have been harassed by restrictive legislation and stifling taxes. And they have talked among themselves, about public officials who have, they believe, assumed an unfair attitude toward business and business men.

But they have taken it out in grumbling—and usually in not grumbling too loudly. Being non-political in his thinking and attitude, the average business man—big or little—fights shy of anything that smacks of politics. This is partly due to a tender regard for the cash register; partly to the natural disinclination of a man engaged in working for profit to engage in activities that will disturb the balance of his business.

A chamber of commerce in Pennsylvania, at its recent annual meeting, announced with enthusiastic applause from nearly 500 assembled members that it had no interest in politics, but that it had an intense interest in government; that it cared little whether Democrats or Republicans were elected—but it was determined that good men should be elected, whatever ticket they happened to be running on. Therefore, as a matter of deliberately chosen policy, they announced their intention, not of taking an interest in politics but of making their influence felt in the field of government.

Everywhere this same kind of spirit is being noted, not, to be sure, as the official action of chambers of commerce. Such organizations are eager to avoid even the accusation—fair or not—of engaging in politics.

Business men are beginning to act on the knowledge they have long possessed but have hesitated to implement. They have known that what hurts business hurts the public. Being business men, they have hesitated to become in any public way the defenders and exponents of their own kind. Now they have seen the bad effect which uncertainty has had upon business and public morale. They have seen how the tax on business in the abstract, or even in its larger circles,

has adversely affected every business institution, great or small. So now they are proclaiming to the average man—to the housewife, to the taxi driver, to the mill worker, to the office man—that what hurts business also hurts them.

The extent to which these simple truths are being reiterated, is found, for one thing, in the print orders that have come to national headquarters. Pressed by its members for material that might be used in leading the public to a better understanding of the plight and problems of business, the National Chamber has made available pamphlets, bulletins, reprints of ads; cuts, mats, electros; envelope stuffers and other mailing pieces; stickers for sealing packages; sticker strips for car and store windows.

## Millions of messages

THESE have been ordered in quantities running into the millions. For example, standing requests now on file for material in connection with each advertisement when it appears include:

- 16,000 poster reprints
- 47,000 "stuffer reprints"
- 270 mats for local newspaper reproduction
- 100 electrotypes for magazine reproduction
- 300,000 pamphlets issued in amplification of the advertisements.

In addition to the standing requests, chambers of commerce, trade groups, and individual firms and corporations ask for additional thousands of reprints and pamphlets after the appearance of each advertisement in the *Saturday Evening Post* and *NATION'S BUSINESS*.

Hundreds of organizations are attaching stamps reading, "What Helps Business Helps You" to their letterheads and business literature. The National Chamber has been asked for more than 7,000,000 of these stickers to date. And more than 500 plates are being used today to print the legend, "What Helps Business Helps You" on business stationery.

The cumulative effect of the adoption of this simple truism in all parts of the country is evident in the requests for information from unexpected sources which have learned of the objectives of this program through the secondary circulation given to its objectives by local business men in towns and cities in every state.





# Not a High Hat in a Hundred

**T**HE people whose children go to school with yours—the folks who sit next to you at the movies or at church—thrifty, hard-working folks — you, yourself in all probability — own the railroads.

For the railroads belong to 855,000 separate owners of railroad stocks—the majority of individual owners have somewhere between 10 and 100 shares—and to the hundreds of thousands who own railroad bonds.

But this is only a starting point. Half the total population has life insurance and all of these people have an indirect ownership in the railroads —because insurance companies own railroad securities.

Or to take another group — anyone who has a little money in a savings account has an indirect ownership in the railroads, because savings banks also own railroad securities.

Look them all over and it's easy to

see there's not a high hat in a hundred. The real owners of the railroads are just folks.

That's why it's important to the average American for the railroads to prosper. Only when they take in more than they pay out for materials, supplies, taxes, labor, can they have something left over to pay for the use of the money which these people have invested.

With this fact always in mind, the railroads, in the face of lean earnings, have developed mass transportation with all of its efficiency and economy — more powerful locomotives, longer trains, greater dependability.

They have also worked steadily for improved service as a means of winning business — both passenger and freight. The speed of freight trains, for instance, has been stepped up 50 per cent. And everyone knows

the progress made in air-conditioning — the popularity and economy of streamline trains — and the railroad safety record.

Anyone who looks at the total record must be impressed with the enterprising spirit of the railroads — and with the need for rates which will not only give their myriad owners some hope of income from the money invested, but will attract new capital which will enable the railroads to continue to supply America with the finest transportation in the world.



ASSOCIATION OF  
**AMERICAN RAILROADS**

WASHINGTON, D. C.



## To the man whose friends have money problems

*What to say to people who want  
to borrow*



When friends or relatives come to you for assistance with their money problems, you doubtless give them all the help you can. A loan when you can afford it. Helpful advice when you're obliged to say "no" to a request for cash.

Perhaps you have often wondered what to say at such moments—have wished that you knew more about public lending agencies and the terms and conditions on which they make cash loans to responsible men and women. To meet requests for this information we have just published a helpful booklet entitled "For the Man Whose Advice is Always Asked."

### Loans without collateral

This booklet begins with a short, impartial discussion of whether a family *should* borrow and what it should do when it *does*. Then it tells where people without bankable collateral—the people who most need credit accommodation—may obtain cash loans to meet emergencies.

Three kinds of loans are available to these people in most communities. The booklet tells where and how they may be made and the cost. There is a convenient table for quick comparison of their features. The concise explanation of how to compute rates shows the true cost of common types of consumer loans. A final paragraph points out the risks for both borrower and lender of borrowing from friends.

### Send for free booklet

Household Finance has published this booklet to increase public knowledge of the sources of cash loans for consumers. You are invited to send for a copy without obligation.

## HOUSEHOLD FINANCE CORPORATION and Subsidiaries

*"Doctor of Family Finances"*

one of America's leading family finance organizations, with 228 branches in 148 cities

HOUSEHOLD FINANCE CORPORATION, Dept. NB-C  
919 N. Michigan Ave., Chicago, Ill.

Please send me without obligation a copy of your new booklet: "For the Man Whose Advice is Always Asked."

Name .....

Address .....

City ..... State .....

## Yesterday's Little Businesses

(Continued from page 48)

Hires bought page space in other Pennsylvania cities. His manufacturing business grew rapidly, and the drug business was abandoned.

The Daggett & Ramsdell line of cosmetics was born in a drug store. Daggett & Ramsdell ran a store near the old Waldorf-Astoria hotel in New York City. The druggists noted that the fine ladies who patronized the Waldorf, many of whom became customers of the Daggett & Ramsdell store, had beautiful complexions and faultless facial make-ups. The use of imported cosmetics was the reason. The store began handling these toilet articles and later started to manufacture its own line.

Pomperian Massage Cream was originated by Fred W. Stecher, a Cleveland, Ohio, druggist. Before he brought out the cream he had never netted more than \$1,800 in a year. Yet, when he was convinced that he had a different kind of cream, he appropriated \$5,000 for advertising, out of money which he had to borrow. Two years later he appropriated \$100,000 for advertising.

J. Hungerford Smith, originator of the familiar fruit juices used at soda fountains, operated a little drug store at Ausable Forks, N. Y. He first served his fresh fruit drinks in his store. Many famous persons used to stop off there to sip a Hungerford Smith drink. Among them were Grover Cleveland and P. T. Barnum. By 1890, the demand for J. Hungerford Smith juices had spread beyond Ausable Forks and he opened a factory to care for this expanding demand.

No one would suppose that Keasbey & Mattison Company, manufacturer of insulating and building materials, could track their origin to a drug store. Doctors Keasbey and Mattison had a drug store. Among other things, they originated a magnesia cathartic. Gradually, they evolved into magnesia insulation, asbestos insulation and their present line.

Going back into history, it is well known that apothecaries originated many drugs. A famous example is morphine. It was discovered in 1803 by Friedrich Serturmer, in his little shop, void of scientific equipment, in Einbeck.

Jewelry stores do not run far behind drug stores in originating specialties. The jeweler, like the druggist, is a manufacturer, though working in different materials. He has a work bench and power tools. Many jewelers are skilled mechanics. That some of

them should like to try their hands at inventions is understandable.

The granddaddy of the time clock division of International Business Machines was William Bundy, a jeweler of Auburn, N. Y. He invented the first time clock in 1888. It was William Ged, an Edinburgh jeweler, who made the first Stereotype. That was in 1725.

### Harmonicas, valves, locomotives

MATHIAS Hohner was a German watchmaker and jeweler. He took the harmonica, which was invented by Holz, and began to produce it in quantities. From that humble start a hundred years ago, has grown the great harmonica industry, now turning out more than 55,000,000 instruments a year.

Jenkins Valves were invented by Nathaniel Jenkins, a New England jeweler. Mr. Jenkins got tired of leaky faucets and used his mechanical ability to improve them. Similarly, W. A. Sheaffer, a Fort Madison, Iowa, jeweler, got sick of leaky fountain pens. So he invented the Sheaffer pen.

But probably the oddest national business to come from a jewelry business is the Baldwin Locomotive Works. Its founder, Matthias W. Baldwin, was a jeweler. He had a decided manufacturing bent. So he made jewelry and later tools. The business had to have a stationary engine to operate the machinery. Stationary engines were crude in those days—1825. Hence, Baldwin designed his own. This gave him the idea that steam had great possibilities for locomotion. He then made a miniature locomotive which worked practically for the Philadelphia Museum. This led to an order for a larger locomotive from the Philadelphia, Germantown & Norristown Railway, then operating a horse car line. "Old Ironsides" was the result, and the Baldwin Locomotive Works was born.

National businesses are still coming out of retail enterprises. Many of the examples of store-started products are recent examples. For instance, just last year a veterinarian at Waterbury, Conn., invented a health candy for dogs on which he succeeded in getting wide distribution in a few months.

National products will always be coming out of stores, so long as doctors, druggists, jewelers and delicatessen dealers keep experimenting with ideas. Many such experiments being carried on today will give us products that tomorrow will be the bases of big businesses.



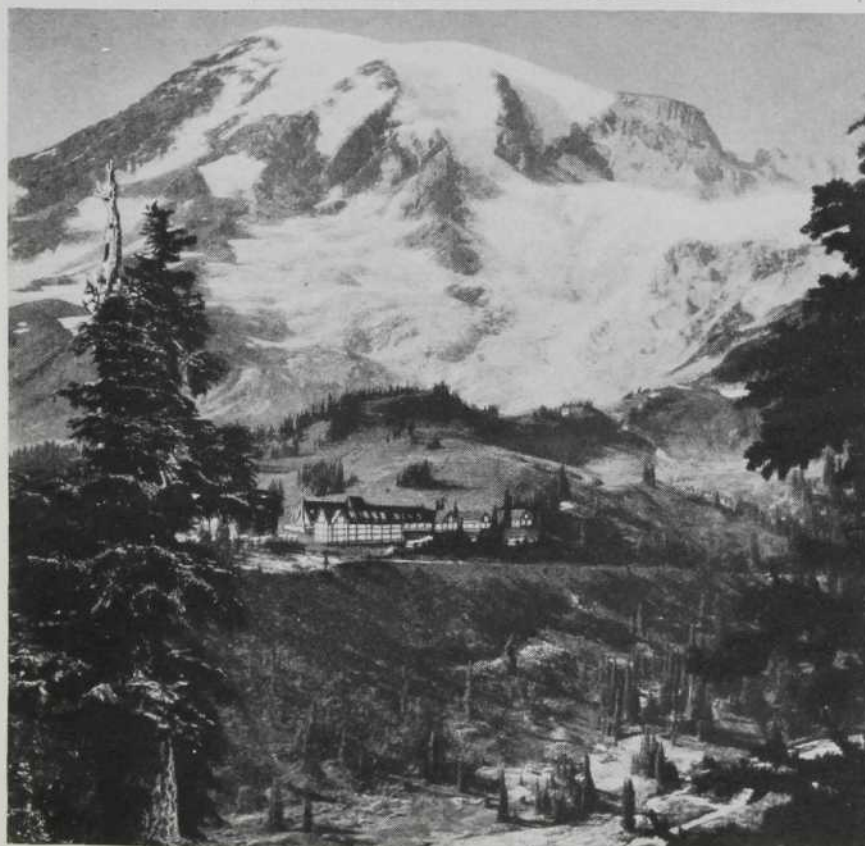
# What Happens to You in WASHINGTON STATE is Good Business

*No office worry can compete with just looking up, up, up at Mount Rainier... or casting into a steelhead riffle... or sailing among the white-beached islands of Puget Sound... in this Vacationist's Last Frontier*

*Above Mount Baker's  
flowering meadows*



*Paradise Inn snugles under  
sunlit Rainier glaciers*



*Fish do the only crowding here*

**I**SN'T IT TIME you got out with a fly rod on mile high, unspoiled lakes? Time you rode white water in a dug-out canoe with a real Siwash at the stern pole? You'll do these things just a ferryboat ride across from Seattle and Tacoma.

Time you knew Mount Rainier of the sunshine and glaciers? With snug inns nestled on its slopes up above the clouds... Mount Baker of the sky-blue lakes and wild snow lilies... horseback trails and good food!

Or time you felt the sting of salt spray as your boat heels to a brisk Puget Sound breeze? Then on to a quiet cove in the pine-covered San Juan Islands. And what fishing!

The miracle of Grand Coulee Dam that will turn 1,200,000 desert acres into garden... develop two million kilowatts for Pacific Northwest industrial development!

This year treat yourself to an unforgettable month in this Vacationist's Last Frontier. Even if you must write off the cost to "a survey of Washington State's opportunities." And they're *worth* your looking at!

**WASHINGTON STATE PROGRESS COMMISSION**  
210 State Capitol, Olympia, Washington

Please send me *without charge*: (1) State of Washington book completely covering vacation opportunities (and costs). (2) Special information on regions checked: Mt. Baker.....; Olympic Peninsula and Pacific Beaches.....; Grand Coulee Dam.....; Mt. Rainier.....; Puget Sound and San Juan Islands.....

Name

Address

City  State



## Preview of the New Tax Law

(Continued from page 16)

tics. The party in control may be as right as summer rain, but it is necessarily on the defensive. If any little thing goes wrong, the underdog party will say "I told you so" practically without end. There seem to have been lively challenges in the subcommittee, too, and not entirely along political lines.

### Nine congressmen argue taxes

THIS was only to be expected. Locked up in the rooms of the subcommittee for hours at a time were nine congressmen, each full of the tax subject, handy on his feet, wanting to know more about everything, and an indefinite and varying number of experts of whom the same might be said.

Each of the 63 changes which were recommended was debated, pulled apart, and analyzed time after time. So were the many other suggestions for change which were not adopted. Arguments were presented for lowering the rates of tax on the ground that low taxes brought in greater revenue because, under them, business prospered.

The rebuttal was that the Treasury's need of money is so great that it was not safe to take a chance.

Every committeeman had his eyes on the possible political effect which would follow action. Of course! This was to be expected. Congressmen who did not think that way would be something more than human. It is mere common sense to add that every one recognized that the wisest action would have the best political effect. The differences were due to honest conviction and not to petty playing for position. In the end an agreement was reached and no minority report was submitted. Experience indicated that further explorations would be made by the Senate.

### Witnesses preceded the bill

A NEWSPAPER commentator observed that Mr. Vinson frequently remained in the committee room to argue with the experts after the day's session had ended. The subcommittee began work November 4 and turned in its 91 page report on January 14. The hearings of witnesses which followed covered a relatively few days. These were in open session so that representatives of business and the Government might be able to make their views known to the country. The de-

tail work of drafting the bill followed immediately.

The Senate does not take up a tax bill until it has been passed by the House.

"We retained both the tax on undistributed profits and that on capital gains in principle," said Mr. Vinson. "We think the theory underlying both taxes is worthy of retention. But we made changes to make them more workable and to do away with hardships and inequities in the existing law."

The criticisms of the surtax on undistributed profits most frequently made were summarized in the subcommittee report as follows:

It discourages, in many cases, legitimate business expansion and, therefore, has an adverse effect on employment;

It puts a penalty on corporations which find it necessary to use current earnings in the payment of debts;

It burdens the small and weak corporation more than the large and financially strong corporation;

It is unfair to corporations with impaired capital which, under existing state law, cannot legally declare dividends;

The relief provisions of existing law dealing with corporations having contracts not to pay dividends or contracts requiring the use of current earnings for the payment of debts are so restrictive as to provide relief only in rare cases.

### A misunderstood law

MR. VINSON believes that many of the complaints against this tax have been exaggerated.

Many people did not understand it. Many folks were under the impression that they were called on to pay 15 per cent on the net and then figured the 27 per cent on undistributed profits as 27 per cent on net income. The fact is that the maximum tax rate under the existing law is 32.4 per cent, and it scales down to less than 15 per cent in the event of total distribution. Likewise the charge that no income was available for the payment of debts or for plant expansion was grossly exaggerated.

However, the subcommittee accepted the fact that there was merit in a substantial number of the complaints. It was found to be difficult to frame general relief provisions broad enough to take care of these meritorious cases without a serious loss in revenue.

Representative Vinson said:

Our aim was to see to it that every one subject to a tax paid his fair share. But there is an almost infinite subdivision possible in tax classes. Two men in the same line of business and doing practically the same gross amounts might differ widely in their fair tax liability.

The subcommittee studied almost 145,000 corporation returns. Of these

in the aggregate, 81.2 per cent of adjusted net income—net income minus Liberty Bond interest, minus normal tax—was distributed. Corporations with large incomes distributed a substantially larger proportion than the smaller companies. The effective rate of normal tax and surtax combined on the aggregate net income of corporations was 13.52 per cent. The base used includes \$1,167,000,000 intercorporate dividends which, of course, are only taxed at 2.25 per cent for normal purposes. This factor pulls the effective rate up to about 16 per cent on net income of corporations exclusive of intercorporate dividends. Considering loss in revenue (with repeal of the undistributed profits tax) paid by individuals on added dividends forced out, the rate would be more than 20 per cent.

### Depreciation for expansion

DEPRECIATION deductions reduced the net income of corporations by more than 20 per cent of the amount of the net income before the deduction of this allowance. A substantial portion of the depreciation reserves were available for plant expansion and improvements.

But, on the basis of these facts, we were of the opinion that the tax should not be framed as an additional tax on undistributed earnings but on the basis of a flat rate with a premium or credit which will give reasonable encouragement to the payment of dividends. This basic rate should not be so high as to create undue hardship when, for any reason, dividend distributions are impracticable.

We also thought that smaller corporations with a net income of less than \$25,000 should be favored somewhat.

### A new tax scale

HERE the 16-20 group enters. Memorize the title. Much may be heard from it in future tax discussions. The 16-20 plan is supposed to be Mr. Vinson's own invention.

To state it concisely, the tax rate declines as the dividend rate increases in a group of some 25,000 corporations which have net incomes of more than \$25,000.

If the corporation retains its entire net earnings, it must pay a tax of 20 per cent on its undistributed profits. This declines by short steps as the dividend rate grows until, if the entire net is put out in dividends, the tax is 16 per cent.

Another group is made up of the corporations which show a net of less than \$25,000. These are relieved of paying any tax on undistributed



# *Prepare for* **FUTURE PROGRESS** **WITH THESE** **FACT-FINDING MACHINES**

Business executives interested in obtaining more business facts in less time should investigate International Business Machines and methods. Here are electric bookkeeping and accounting machines which automatically provide complete printed reports from punched cards.

Here are time recorders and electric time systems which assure correct payroll records and coordinate the work of all departments.

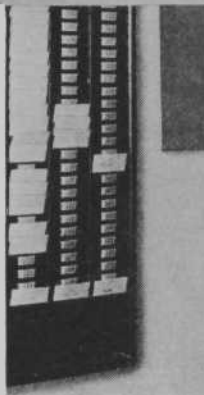
Internationals also include all-electric writing machines which offer greater speed and more attractive correspondence, also counting and weighing devices which assure accuracy and guard against losses.

The International Proof Machine for Banks and the International Ticketograph (a production cost controlling device) likewise are in keeping with the trend of modernization in business methods.

Executives making plans for improved business will do well to include International Business Machines and methods in those plans. Call your nearest International representative today for detailed information.



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International  
Attendance Time  
Recorder



Above:  
International  
Electric Writing  
Machine



Above:  
International  
Ticketograph  
(a production cost  
controlling device)



Above:  
International  
Accounting Scale



At left:  
International  
Proof Machine  
for Banks

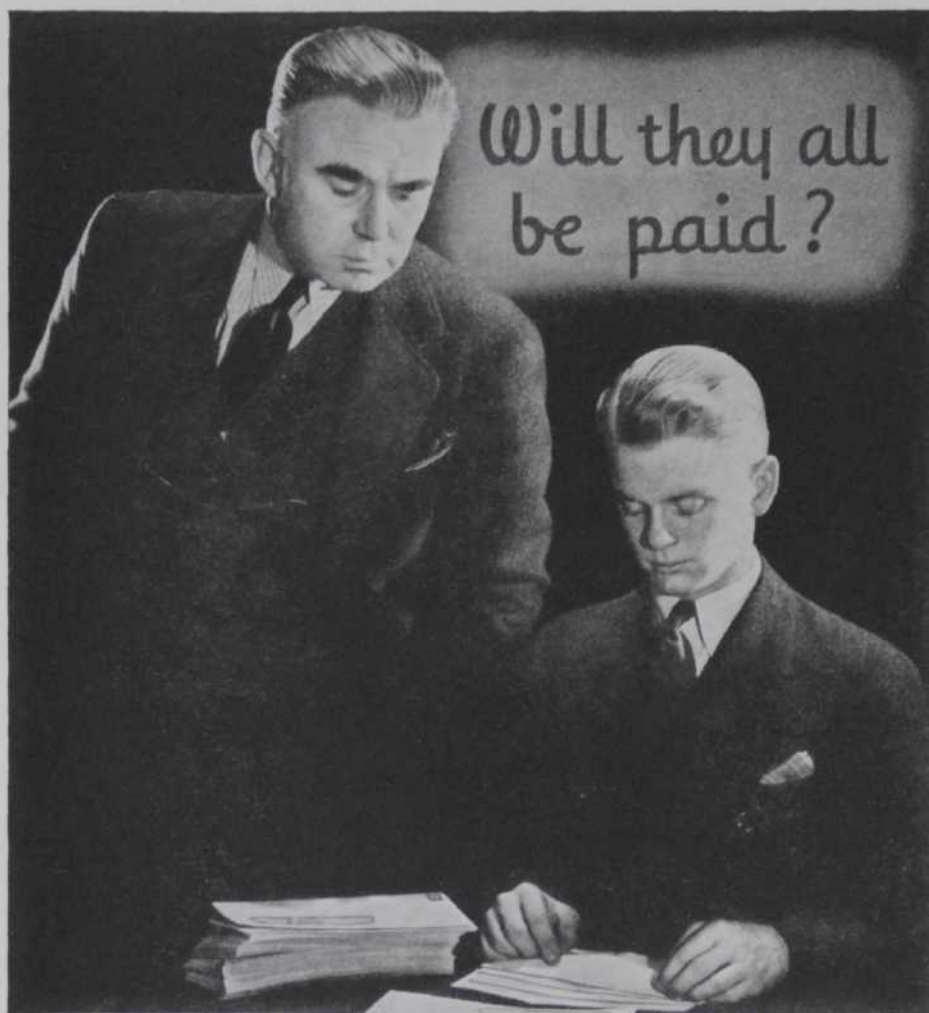
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profits, and a graduated corporation tax is applied by which they are compelled to pay 12½ per cent on the first \$5,000 of the net, 14 per cent on the next \$15,000, and 16 per cent on the next \$5,000.

This gives a maximum effective rate of 14.1 per cent for \$25,000 net income, against 26.3 per cent under the existing law.

This treatment will permit these corporations to pay the normal corporation rate and retain all the remainder free from any other tax. A somewhat different treatment was proposed for the corporations which have incomes of slightly more than \$25,000 and which might, therefore, be called on to pay the tax rate of the next higher group. Not to go too deeply into this at this moment, a plan has been worked out by which such a corporation need pay only what is equitable and just.

### Taxing "closed" corporations

NO FEATURE of the subcommittee's work has attracted more public attention than the recommendation that an added tax be imposed on certain family or "closed" groups or closely held corporations which meet specific standards.

Certain critics have assumed that the intent of the lawmakers was to "get at" certain men who, in person or as the heads of family groups, controlled some large industries or aggregations of capital. Names were freely used by the newspapers. It was suggested that the intent was to punish some of these men for political offenses and to compel others to wear, more meekly, the yoke of governmental authority. This was, according to one editorial writer:

striking a serious blow at the method by which numberless businesses in this country have been built from small beginnings to large and prosperous concerns. . . . The classic example, of course, is the Ford Company--indeed, it is no secret that one of the admitted aims of the proposed tax is to render the development of such enterprise more difficult in the future.

It is a secret to Mr. Vinson, he said. He grew heated about it. One would say that Mr. Vinson is not a patient man by habit, and he grew distinctly impatient at this point.

"That's false," he said:

The claim that certain corporations and individuals were aimed at in this treatment is untrue.

Not a single name was put before the subcommittee. But I'll tell you what we are trying to do. We are trying to work out a principle which will compel such corporations and individuals to pay their fair proportional share of the tax burden.

What were and who were "such corporations and individuals," naming no names?

First the corporations must be closely held as specifically defined. They must have incomes of \$50,000 or more, of



which less than 60 per cent is distributed in dividends.

Our aim, of course, is to compel the distribution of dividends to the greatest extent practicable.

That has been understood. The more money paid out in dividends, the more money goes into the channels of trade and the more tax the Government can collect.

That has been the public understanding. Mr. Vinson mentioned one man—presumably his name did not come before the subcommittee—who was typical of one class of one-man companies. He put his millions into a holding company which paid no dividends. When he needed money he borrowed from himself—from his own holding company—and paid no interest. As he reported no income, he paid no tax.

Vinson thinks this particular kind of skulduggery will be shut off in the future:

In this group there are approximately 1,000 corporations. Individually and collectively their net income is immense. In the mass they retain their earnings and do not pay dividends and hence the money earned never reaches the individual surtax brackets of their owners. A distribution of 60 per cent would avoid the corporate surtax we have planned. The 1 B treatment to all intents and purposes makes effective the existing rate of tax under the 1936 act. However, the maximum of 31.2 per cent we have proposed never quite reaches the maximum under the existing law.

#### Personal holding companies

THE subcommittee recommended that a tax be imposed, over and above all other taxes, on corporations which were so closely held as to come within definitely stated terms.

These ranged from a company of which more than 50 per cent in value of the stock was held by one person, to companies of which 75 per cent in value of the stock was held by ten persons.

Never before 1937 when the personal holding company bill was passed has an attempt been made to impose a tax based on the blood lines of the owners, but the subcommittee thinks it is able to make out a good case against this category:

We believe that corporations whose stock is concentrated in the hands of a few persons are likely to be used for tax avoidance and should be subject to the surtax.

Even though one individual and his family own less than 75 per cent of the stock but do own more than 50 per cent, control of the corporation seems sufficiently concentrated so that it should be concentrated within the taxable class.

There is a way out, however, for those who hold too much stock in too small a corporate area. If they can prove to the satisfaction of the Commissioner of Internal Revenue that

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### How to Keep Production Flowing and Profits Coming In

To earn profits today industry has to get orders out with uninterrupted efficiency. Margins are so scant that one break in the production flow may eat up all of the profit on the order affected. And if delay in delivery results, customer good-will may be injured, with loss of future orders a possibility.

Accidents wreck production schedules—cause heavy, *uninsurable* losses. Therefore, accident prevention has become more and more of an operating necessity. That is why hundreds of well-known corporations, who carry their workmen's compensation insurance with Lumbermens, are finding that the effective safety engineering service which they get from this company saves them money. Because of their improved experience, lower initial compensation insurance rates are made possible. In addition, by lowering losses, Lumbermens safety engineering service is an important factor in making possible the substantial dividends paid to policyholders each year.

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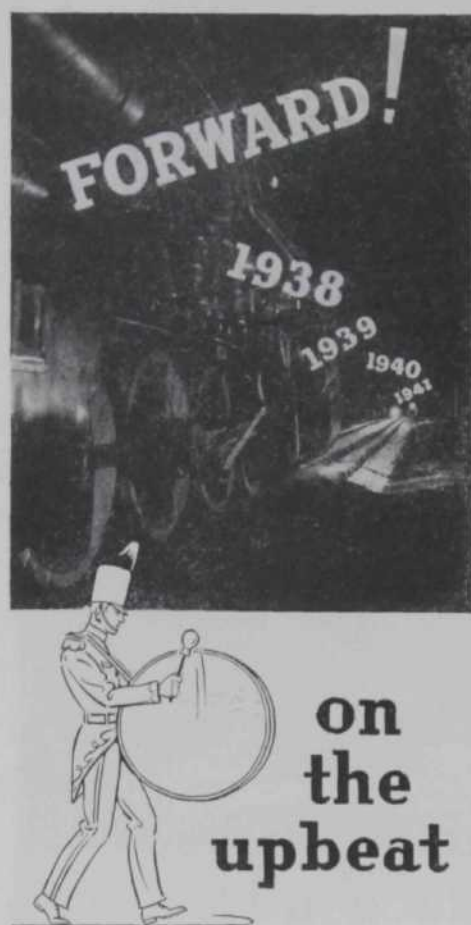
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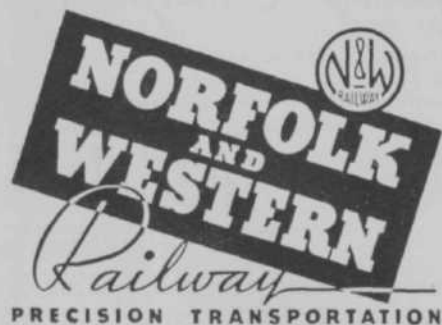
To completely serve YOU and the nation, the Norfolk and Western is constantly improving services and facilities . . . modernizing freight and passenger equipment . . . developing new travel comforts and conveniences . . . increasing safety of rail transportation—already the safest transportation in the world . . . and keeping pace with every worth-while advance in railroad development.

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1838—A CENTURY OF SERVICE—1938



they do not control the corporation in which they have a majority stock ownership in any way, legally or actually, directly or indirectly, they can escape the impost. Two other interesting provisions of the report to the House are those which provide for the unanimous consent of stockholders that the corporation may retain the dividends earned for its useful purposes, but that such dividends be reported as income by the stockholders. In this way, the Government gets the tax and the corporation makes use of the dividends.

The second interesting clause provides for the carry-over of net operating losses to be applied against the undistributed profits tax on next year's earnings.

### A simplified bill

"IT WILL be simple to compute the corporate tax as compared to the existing law."

Mr. Vinson came perilously near gleaming. This seemed incredible to the reporter who had just reeled through 60,000 words of the subcommittee's report on which the new tax law will be based, but he was soon convinced.

Mr. Vinson did tricks in mental arithmetic. He took up clause after clause and demonstrated that, to a lightning calculator, the conditions of the new law-to-be were crystal clear. Nothing about the existing tax law has been more furiously resented by business than the provision for the taxing of capital gains and the failure to make a fair allowance for capital losses.

"I believe that we have worked out a plan which will be acceptable to the taxpayer," he said.

In general terms he defined capital gain or loss as the difference between the buying and selling price of a capital asset, less a proper amount for depreciation. But, from 1922 to 1933 inclusive, Congress differentiated between the quick turn-over and the long pull.

If a property was held for less than two years, the transaction was considered speculative—or at least an ordinary transaction of business—and taxed as ordinary income.

On the other hand if the property was held for more than two years, the transaction was considered as an investment, and the taxpayer was offered the option of accepting his profit as a part of his income to be taxed accordingly, or of having it taxed separately at the flat rate of 12½ per cent. From 1934 on, a different classification was adopted. Under it, the full profit was added to the taxpayer's income if it was held for not more than one year.

Lesser proportions of the gain were accepted for taxing purposes if the property had been held for more than one year, until, if it were sold after having been held for more than ten years, only 30 per cent of the profit was taxable.

The theory has been that, by this sliding scale, the taxpayer is not mulcted by the supertax of the greater part of the profit resulting from holding a property for the long pull and that he would be asked to pay something like the equivalent of the tax which would have been imposed on each year's gain in value.

There is no available space in which to recount all the criticisms of this plan. One frequently made, however, is that capital losses, after the statutory percentages, were deductible only to the amount of \$2,000 plus taxable capital gains, with no carry-forward of losses.

That seemed so obviously unfair to taxpayers that it is probable they failed in great part to cooperate fully with the Government in the administration of this tax. Another complaint against the existing capital gains law is that it discouraged rich men from putting their money into new enterprises because too much of the prospective profit would go to the tax collector.

It was also urged that the free operations of the securities markets were interfered with. Operators held their stocks rather than be—in their opinion—rooked by the tax collector and, by lessening the supply of stocks on the market, contributed to runaway bull markets.

"We think we have found a more just and more workable plan," said Mr. Vinson.

### Capital losses carried forward

CAPITAL gains and losses have been separated into two categories. A gain or loss arising from the sale of property in the first year of holding will be taxed as income. Losses will be allowed only as a deduction from the gains derived from capital sales. This provision, however, is loosened to the extent that a loss made in one taxable year by the sale of a capital asset which has been disallowed as a deduction in that year may be carried forward for one year and deducted from any capital net gain arising in that taxable year from the sale of year-old assets.

A taxpayer who loses more than he gains in his capital sales is not to be permitted to charge his loss against other income.

"A man who received a \$10,000 salary and lost \$10,000 in the stock market would pay income tax on the \$10,000 ordinary income."



But it is recommended that gains or losses on the sale of capital assets held more than one year be modified from the classification provided in the 1936 law.

The percentage of gain or loss is taken into account on a monthly rather than an annual basis, ranging from two per cent a month for each full month the asset is held in the second year to one per cent a month thereafter, until a maximum of 40 per cent is reached:

Thus the percentage to be taken into account will be 76 per cent if the asset were held just over two years and 40 per cent if held for more than five years. The net gains may be, at the taxpayer's option, added to his other income and taxed at the prescribed rates or they may be taxed separately at the flat rate of 40 per cent. If losses from the sale or exchange of assets held more than one year exceed the gains made by the sale of assets of a like class, then such excess shall be allowed only to the extent of \$2,000 in the taxable year. However, any portion of the excess disallowed may be carried forward one year as a deduction from the gains made in the similar class.

The maximum effective rate of tax upon the actual gain realized on the sale of an asset held for more than one year would range from 40 per cent to a minimum of 16 per cent if the asset had been held for more than five years.

Of the other 63 separate recommendations for changes in the revenue law little can be said because there is no space in which to say it. It is urged that the internal revenue laws be "enacted as law and not merely *prima facie* evidence of the law," which may help future contestants before the courts. Insurance companies and corporations deriving a large part of their income from sources within possessions of the United States have their taxes upped from 15 per cent to 16 per cent. It is recommended that corporations accumulating surplus to avoid surtax on stockholders shall be taxed 25 per cent on the first \$100,000 and 35 per cent on the rest. Securities which have become worthless may be charged off as losses.

Dividends on fully paid up insurance policies may be included in the gross income of the recipients. Expense bill deductions are limited to 50 per cent of the amount produced or collected. Only gifts to domestic charitable organizations may be charged off. Pension trusts must be made irrevocable and joint returns are forbidden when one spouse is an alien.

The \$40,000 estate tax-exemption may be reduced by the amount of the gifts made by decedent during his life, and the \$5,000 exemption per donee per year will be reduced to \$3,000, which will be bad news to heirs.

"It was a long, hard grind," said Vinson.

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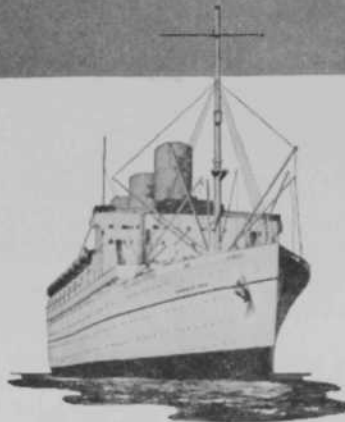
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## Canadian Pacific

## Weaving the Sands of the Sea

(Continued from page 32)

threads of different colors. Uses? When you open a new gold mine, you refine the highest assay ore first and save the other grades till later. That's what the glassmakers are doing. Their salesmen are too shrewd to storm the gates of the highly competitive textile field at present. Besides, they are too busy taking orders for chemical filters and electrical insulation—fields where glass textiles today can compete, and are competing, with established products.

### Good fabric for filters

JUST fingering a sample of woven glass cloth gives you a hint of what an excellent filter it is, but when you are reminded that it will resist most acids, that it will withstand temperatures three or four times as high as ordinary cloth, and that it has a higher tensile strength, fiber for fiber, than hard steel, you begin to understand its industrial significance. In actual use, glass cloth filters last days instead of hours, weeks instead of days; they can be installed in places where no filter has ever served before.

More startling, and even more widely applicable, is the use of glass fiber for electrical insulation. There's no reason why all electrical wires henceforth should not be wrapped in glass, because glass fiber, in addition to its dielectric properties, is fire-resistant, vermin-proof, and fully flexible. It can be effectively used in layers so thin that a five horsepower electric motor, glass insulated, takes up no more space than present motors half that powerful. Impregnated glass fiber paper can be used in condensers, non-deteriorating woven glass separators in long-life storage batteries. Eventually glass may become as universal an insulator as copper is a conductor.

Everybody who sees glass cloth coming off the loom blurts out the same excited question:

"How about glass clothing?"

The glass men would rather not discuss it.

But they do see possibilities of dining off glass tablecloths, and living among glass curtains and awnings. You'll see them first on ships and in theatres where fire means catastrophe, later in public dining rooms where cigarette holes and constant washing shorten the life of ordinary fabric. Finally in your own home. No coffee stains will dim their gleaming whiteness.

Meanwhile architects, remember-

ing the yeoman service to their profession of glass blocks and structural glass, are casting an inquisitive eye on this newest form of glass. One New York architect thinks he has the answer: glass wall coverings. A thin, almost filmy net of close-woven glass is applied over colorful wall paper. The polished threads reflect light into even the darkest corners, and permit the color from the paper underneath to shine through in pale pastel patterns.

The technique is especially valuable for hiding cracks in the plaster when renovating old homes. And if a really waterproof adhesive is used, you'll be able to wash glass fabric walls with soap, water and a scrub brush.

### Widely used as insulation

BUT architects for more than a year have been using glass fiber in another form. First by the bushel, then by the ton, and now by the carload, they are buying unprocessed glass fiber—"glass wool"—for insulation purposes. Thus the glass wool division has jumped ahead of the glass textile division. It's glass wool which is today marking up both production records and profits for the glass factories. Glass wool is made by a process very similar to glass thread, but on a larger scale. Instead of dropping little marbles into miniature ovens, the glass wool department dumps tons of raw ingredients into huge regenerative-type gas furnaces. The molten glass is drawn into filaments and matted, emerging on a conveyor belt in a continuous ribbon a few inches thick, a few feet wide, and as long as you please.

It's a little hard to describe glass wool to somebody who hasn't touched it and worked with it. It isn't as fluffy as cotton batting (though it looks like fluff in the pictures) and it's far less brittle and stiff than, for example, steel wool.

You can buy it in bulk, or in paper boxes, or surfaced with tar paper. You can have it packed in fire-resistant muslin, making blankets for insulating trains, automobiles, and furnaces. You can stuff it into the walls of ice boxes. And if you pack four layers together, two of coarse fiber and two of fine, and impregnate them with mineral oil, you have an air filter for air-conditioning systems that is cheap enough to throw away when it's clogged up, but it is easily washed and can be used indefinitely.

For American industry, glass fiber means new modes of production, new



products, and, perhaps, new profits. For other nations it may mean much more—freedom from the need for importing certain raw materials. Even the poorest of have-not nations has sand.

Representatives of German industry, touring America, are enthusiastic. Said one:

Within two years, American equipment could render Germany independent of imported asbestos. That's important, too, because the new German method of extracting gasoline from coal on a large scale requires high-temperature equipment and effective heat insulation which would soon exhaust asbestos reserves. Glass wool is the answer—either pure or mixed with asbestos.

One German concern is already licensed by Owens-Illinois, along with glass wool factories in Italy, France, and Scotland, and two in Holland. All of them use the American process, and import their machinery from the United States.

Beneath the humming activity at Newark, there is a story as interesting as that of the glass fiber products themselves, and its moral is one for industry to remember.

The Ohio Glass Company picked Newark for its glass factory half a century ago, chiefly because of cheap natural gas. A great plant was built, and for decades sand poured into the "dog house" and glass poured out of the "glory holes." But other plants, more modern and better able to lower the costs of production, grew up elsewhere. Ohio Glass merged with Owens-Illinois, and in 1929 the Newark plant was closed down.

But technological advances like those which made Newark obsolete also revived it. Glass fiber came into the old vacant shops, and the factory took its place again to lead a transformed industry.

### Insurance against obsolescence

TO THE old plant they added a new-fangled appendage—a laboratory. That laboratory, built of glass block fabricated in the old furnaces, and manned with young men from the universities, has but one job—to keep Newark from ever again becoming obsolete. It's a sort of industrial insurance policy, guaranteeing the neighboring factory, not against the hazards of old age, but against old age itself.

The laboratory is far from being a symbol of progress to some "thinkers." At its door they lay the blame for our industrial woes. In glass, especially, it has labored under the charge of causing "technological unemployment." Ever since Mike Owens' bottle-blowing machine supplanted hundreds of craftsmen and the first plate-glass drawing devices left thousands job-

# The Office Gossips are busy on you



"Sure I want to get ahead. I want to be Mr. Shield's assistant—and he keeps saying he wants me to be. But what happens? Half the time I spend looking at my manicure waiting for him to get through with a telephone conversation—or talking to one of the men who stops in the office to take something up—or waiting while he re-reads letters he's already read twice before. Sure—I've got patience. If he keeps me in his office two hours to do a half hour's dictation, I won't squawk. But then he shouldn't complain either when I don't have time to do a lot of things he wants me to do. Why, with an Ediphone—

"With an Ediphone, Mr. Shield could voice-write at least three-quarters of his work. He'd answer the easy letters the first time he read them. He'd instruct me to make appointments for him whenever he thinks of them. And he could dictate

any time he darned well pleased. It would be so much more convenient for him...and for me, too.

"I talked to him about getting an Ediphone, once. Said he was too old to learn new tricks. But my gosh!—the man uses the telephone—and there's no more trick to using an Ediphone. All he does is pick up the receiver and get off his mind whatever's on it. An Ediphone isn't just for letters—it's for helping a man get his work done quicker with less effort. I'm going to try to get him to do something about it just as soon as I go back."

\* \* \*

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# Where Do You Go From Here?

You're like a million other men today—you're facing a big question.

The late depression turned business topsy-turvy and now the rebuilding period stares you in the face.

Where you are "going from here" is a question you want answered right if you expect to get ahead—progress—growth instead of standing still.

Are the things that are happening today going to help or hinder you—what will they mean in your pay check? Where will they put you five—ten—twenty years from now?

How can you take full advantage of this time—this period of opportunity? We believe you will find the answer here—a suggestion—a recommendation the soundness of which can be proven to you as it has been to thousands of other men.

The road to success remains unchanged, but, bear this in mind, *what it takes to win is radically different!*

No employer today would dare risk an important post in the hands of a man who had not learned the lesson of 1929. Why should he, when right at this moment he can pick and choose and get almost any man he wants at his own price?

Business organizations are rebuilding—reorganizing for the new conditions. Before it is over, every man and every method will be judged in the cold light of reason and experience—then dropped, remade or retained. This spells real opportunity for the man who can meet the test—but heaven help the man who still tries to meet today's problems from yesterday's standpoint! Out of the multitude still jobless there are sure to be many frantically eager to prove him wrong and take his place.

## Some Men Have Found the Answer

Seeing these danger signs, many aggressive men and women are quietly training in spare time—are wisely building themselves for more efficient service to their employers.

You naturally ask, "Has your training helped men withstand conditions of the last few years?"

Our answer is to point to a file of letters from many of our students reporting *pay raises and promotions while business was at its lowest ebb—together with a myriad of others telling of greater success during these recent months of recovery.*

Amazing evidence is ready for your investigation. We have assembled much of it in a booklet that is yours for the asking, along with a new and vitally interesting pamphlet on your business field.

This is a serious study of the possibilities and opportunities in that field. It is certain to contain an answer to vital questions bothering you today about your own work and earning power.

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Name.....

Position.....

Address.....

less, glass machinery has borne the brunt of reformers' attacks.

What are the facts? The glass industry today employs directly some 20,000 more men than it did in 1890 when glass making was a manual craft.

Workmen have changed their attitude, too. Owens' first machine had to be protected from sabotage by barbed wire; craftsmen looked at it through the fence and spat. Today the workmen at Newark take as much pride in the new machines as does the management.

Fifteen of those workmen have been in the glass industry more than 50 years each. In the course of their working years, they have seen primitive hand methods give way to automatic machinery. Said one of them:

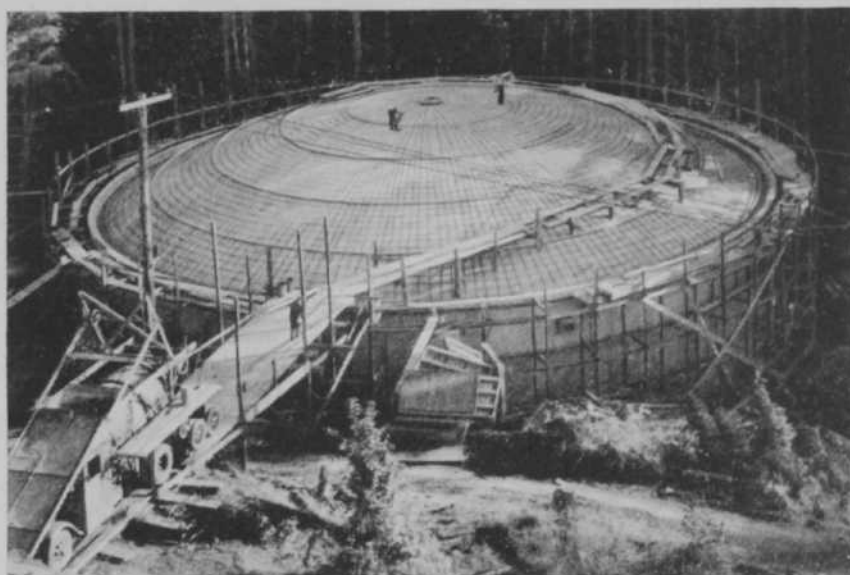
Machines come and machines go. Many a time I've seen good ones junked to make room for better ones. But a man's different. The same old man can tend the

new machines. As we age we become experienced, not obsolete.

Historians will record that glass fiber was a depression-born industry, fostered by the courage that invested \$1,000,000 in research before a single order was booked. They will record the contributions of chemists in a dozen universities, of physicists and technicians in many laboratories. They will assign to one man credit for this, and to another credit for that.

But historians, if they are impartial and wise, will save the final honors for the business executives who have made what might have remained a laboratory plaything into an integral part of American industry. They will praise the far-sighted commercial genius that has organized the whole process, from quarry through furnace to store and home, creating jobs, and adding a man-made fiber to nature's list of raw materials.

## BELLRINGERS



THE AUSTIN COMPANY

## Industry Handles Tough Assignment

A TOTAL of 1,200 barrels of cement were used in the construction of this 1,500,000-gallon capacity water tank which was recently completed by the Austin Company for the Crown Zellerbach Corporation at Camas, Wash. It is situated near the Columbia River, about 40 miles from Portland.

The tank was constructed by the comparatively recent Hewitt system by which the concrete is placed in compression, and difficulties caused by expansion and contraction are reduced to a minimum. The construction cost of \$30,000 is less than others of comparable size built

in accordance with usual engineering practice.

The location on a hillside was utilized by engineers laying out the job who placed their concrete mixer on the high side of the tank and maintained a system of runways which were shifted as construction progressed.

In pouring the dome, the mix was carried in a spiral runway that worked its way up the sides of the dome as it circled around it. When finished the tank was 24 feet high on the side walls and 36 feet in the center with an inside diameter of 106 feet.



## Shake Hands with Our Contributors

PERHAPS the less said about income taxes at this time of year the better, but we couldn't help discussing the subject more or less thoroughly in this issue. In the first place it is timely. In the second, Mr. Corey's interview with Representative Vinson provides cheering information for those who are, or have been, struggling with tax returns.

**Hugh J. Gillingham**, on the other hand, will show you—as if you needed to be shown—why reform is needed. He writes from a broad experience in all phases of income tax work both with private firms and with corporations. At present he is helping handle tax problems for the National Dairy Products Corporation.

**Appleton P. Clark, Jr.** is president of the Washington Sanitary Housing Company, the operations of which he describes in his article.

**Herbert M. Bratter** was for seven years an economic analyst in the Treasury Department. At present he is writing articles on economic subjects.

**J. Gilbert Hill** is an Oklahoma City newspaper man and a frequent contributor to various magazines.

**Edward Brecher** is on the staff of "Opportunity" magazine. He and Philip Dunaway have collaborated on articles for several publications.

**Lui F. Hellman** describes himself accurately in his own article.

### What is Coming in April

NEXT month George Sylvester Viereck will give our readers a view of the methods by which dictators are able to hold the loyalty of those they rule. He demonstrates that, although bayonets may have a place in controlling a totalitarian state, they are not the only means employed—that we might, by using our own resources, adapt some of the ideas and thus beat the dictators at their own game.

Another important contribution is that of Albert Atwood who shows that, whether the average citizen knows it or not, his future success is bound up irretrievably with the Government's financial policy. On a different theme is an article by Evan Walker describing how a company, whose service was regarded as outmoded and whose plant was slipping, took a dare that brought back prosperity even in the face of recession.

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Naturally, the 300,000 subscribers read Nation's Business with intensified interest—feel greater friendliness for it—respond in greater numbers to advertising in it.



## Uncle Sam Eyes Futures Trading

(Continued from page 26)

mand protection against manipulation.

To attract speculators . . . it is necessary to afford them a market in which they can trade without undue fear of being made the victims of manipulative operations.

### Public hears of the abuses

DESPITE its obvious advantages, futures trading from time to time has been subject to abuses, often exaggerated in the public mind. These have included manipulation of prices, corners, the circulation of false rumors, and excessive public participation in the market.

Consultation of farm spokesmen in Washington reveals that a considerable proportion of farmers still believe farm interests to be materially injured by speculation. In the words of Congressman Pierce of Oregon, "notwithstanding the value of . . . [futures trading] to the millers, it is undoubtedly a tremendous handicap to producers, who have . . . no voice in the making of prices for their products."

The majority of farmers think that speculation should be firmly regulated and controlled to eliminate price manipulation and any other abuses, but they would not abolish boards of trade.

A minority, however, would indeed do away with organized futures markets entirely, on the theory that hedging and futures trading is gambling, and all gambling is bad.

The American Farm Bureau Federation feels that the Commodity Exchange Act is working out satisfactorily.

Its most valuable activity (stated their Washington representative) has been the collecting of information. But the last word on futures trading hasn't been written yet in federal law. There is no probability that future sessions of Congress will weaken the present act or handicap its administration. Always the farmers' objective is fairly level and stabilized prices.

Evolution of the demand for regulation of commodity trading is reflected in the annual reports of the Secretary of Agriculture over the past decade.

In 1928 the then Secretary favored prohibition of excessive speculation in grains. In 1930 the annual report favored supervision of trading in the interests of producers and consumers.

Again in 1931 the Secretary recommended legislation "to eliminate certain abuses and sharp practices in the

handling of customers' orders, and to afford a safe and sure means of control over the purely speculative trading of large operators." In making this recommendation he had in mind the interests "not only of producers and cash handlers of grain, but of the small traders composing the general trading public."

These recommendations were reiterated under the New Deal. The 1934, 1935 and 1936 reports detailed manipulations of futures prices and the weakness in the existing law which required the Government to limit disciplinary action to existing violations of the statutes and left it powerless to punish completed violations.

In other words, the Government had to catch violators in the act.

In the grain and cotton markets, opinion as to the value of government regulation of futures trading is not undivided. For the most part, trading circles prefer self-regulation to government supervision. Yet there is often a willingness to concede that, in the past, self-regulation has not been strong enough to eliminate abuses or discipline large manipulators.

A considerable number of those directly affected by the Commodity Exchange Act are conforming in good grace on the theory that opposition would be ineffective in any case and probably lead to a less reasonable attitude in Washington.

### Cost of bureaucracy

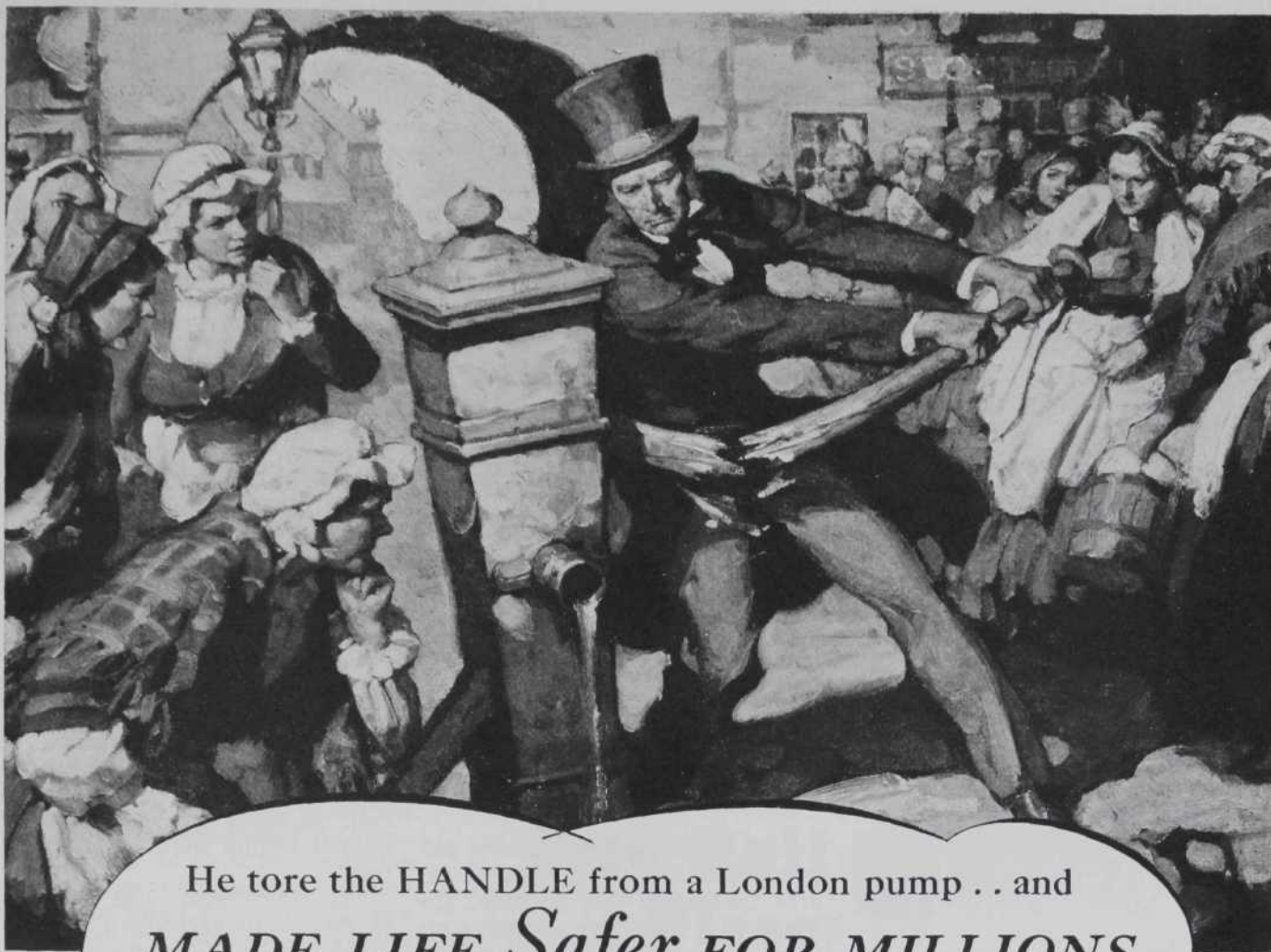
THOSE who oppose government regulation deny that the boards of trade and similar exchanges are run like fraternities and favor insiders. They uniformly maintain that meddling by government officials is unnecessarily troublesome and costly to the trade, and that government bureaucracy is always reaching for new powers so as to perpetuate itself and expand its importance, whatever the country or the politics of the ruling administration.

Advocates of government regulation of futures trading versus self-regulation base their case on the possibilities of abuse.

The business is of such far-reaching public interest and at the same time so involved and technical that, human nature being what it is, only an unbiased and disinterested public body can insure fair play to all concerned.

The present Administration regards speculation in agricultural commodities as definitely useful so long as not abused. According to Secre-





He tore the HANDLE from a London pump . . and  
**MADE LIFE Safer FOR MILLIONS**

The "London epidemic of 1854" was raging without check. John Snow, a young medical graduate, became convinced that the germ was being carried by drinking water. Patiently he traced the infec-

tion to a Broad Street pump. Tearing the handle from this pump, he checked the epidemic. This convincing proof led the way to purified water supplies that have made life safer for millions.



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milk and ice cream of its member-companies.

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## G. E. Plastics Dept. Uses Modern Movable Walls in New Molding Plant

IN ADAPTING an existing building in Pittsfield, Massachusetts, to serve as headquarters for their new Textolite molding plant, the G. E. Plastics Department employed the latest type of movable partitioning, Transite Walls. Every wall requirement in private offices and general office areas was met by using this unusually versatile material.

Transite Walls were used as free-standing partitions, ceiling-high and solid walls, and in combination with



A CORNER of one of the "Transite" offices in the new headquarters of the Plastics Department, General Electric Company. The attractiveness of the Transite Walls shown here is duplicated throughout the building. Moreover, these walls can be relocated, at any time, with no loss of material.

glass. Because of their unique construction method, installation was rapidly completed.

This construction method, also, will make it a simple matter for the G. E. Plastics Department to revise their layout in the future, if necessary, for it allows the walls to be moved quickly, economically, with no loss of material. And relocation can be made with practically no dust, noise or bother.

Asbestos-cement in composition, Transite Walls are exceptionally durable, fireproof and immune to rot or decay. Because they are sound-resistant, they also provide the privacy of fixed walls.

All of these General Electric Offices were painted light green. But lacquer, wood veneer, fabric, paper or any other material could have been used, because Transite Walls provide a flush, projection-free surface suitable to any decorative scheme. In many instances, the wall is left in its natural neutral color.

Full information on this modern, movable partition is given in the Transite Walls brochure with details on the application of Transite Walls for many types of office construction. Write Johns-Manville, 22 E. 40th St., New York, N. Y.

tary Wallace, futures trading is an important part of grain marketing and a

reasonable amount of speculation gives a liquid character to the futures markets and aids in furnishing a readily available means whereby grain merchants may hedge their risks. Trading in futures also serves as a barometer of prices, a reflection of market factors, material and psychological.

Government supervision has had a wholesome effect and has curbed grain speculation materially and usefully since the Grain Futures Act was passed in 1922. It has caused the elimination of many faulty practices and has led to remedial action by the grain exchanges themselves. It is imperative for the Government to supervise and, if necessary, to regulate, grain speculation, because such supervision is the only means of preventing abuses.

In 1935 the Secretary said:

It seems desirable to preserve futures trading, because a properly conducted futures market affords facilities for hedging by dealers against price changes. Continued opposition by the exchanges to more appropriate and more adequate control measures must lead ultimately, however, to the adoption of other methods of insuring against market risks.

### 13 commodities supervised

TODAY 37 commodities, mineral and agricultural, are the subject of futures trading in this country. The Commodity Exchange Administration supervises futures trading in 13 of them—wheat, corn, oats, barley, rye, flax seed, grain sorghums, rice, cotton, millfeeds, butter, eggs and Irish potatoes. If the O'Mahoney bill (S. 3104) is passed in its original form, wool and any other agricultural commodity traded in for future delivery will be added. Naturally, not all commodities are suitable for futures trading.

Many lack the necessary homogeneity, susceptibility of grading, durability, volume and breadth of market for futures trading.

Of the 13 commodities, three account for more than 95 per cent of the value of annual futures trading in the past decade. These are wheat (\$11,900,000,000 average traded each year), cotton (\$9,400,000,000) and corn (\$3,000,000,000). In these 13 commodities alone, futures trading averages more than \$25,400,000,000 a year.

This compares with \$27,824,000,000, the value of 1936 trading in stocks and bonds in the United States.

The wide range of public participation in the futures markets was indicated by an investigation of wheat and corn trading on a single day in 1934.

On that day more than 18,000 individuals, firms, and corporations were hedging or speculating in wheat and corn. The chief groups of operators

were farmers (1,976), grain companies (1,820), commission houses (1,085) and housewives (1,025). There were 523 physicians, 112 dentists, 483 millers, 397 attorneys, 188 clerks, 127 livestock raisers, 128 teachers.

### Chicago the largest market

THE 16 contract markets supervised by the C.E.A. include the Chicago Board of Trade, the Kansas City Board of Trade, the New York Cotton Exchange and the Minneapolis Chamber of Commerce. Of the grain transactions supervised, 88 per cent in 1936-37 were transacted on the Chicago Board of Trade. The Kansas City Board of Trade, with 5.7 per cent, was second.

The Grain Futures Administration—whose powers over individual traders and others have now been strengthened and whose name has now been changed to Commodity Exchange Administration—came into being in 1922 largely in response to demand from farm interests. The theory was that the Government could force the exchanges to keep their houses in order. In practice, the desired results were difficult to obtain.

The Government had the power to revoke an exchange's license—a drastic power. But there were situations with which the exchanges could not deal, even in good faith.

Sometimes bad practices were allowed to continue, and the Government was apparently helpless. The Commodity Exchange Act of 1936, therefore, put certain "teeth" into the earlier law.

Under the present law, individual brokers and commission merchants are for the first time registered, and their registration may be suspended or revoked by the C.E.A.

### Regulation and information

IN ADDITION to designating contract markets, registering commission merchants and brokers, and supervising trading, the duties of the C.E.A. include limitation of speculative trading, elimination of fictitious transactions, fraud and deceit, prevention of manipulation, protection of customers' funds, and the compilation and publication of information. In December, 1937, the C.E.A. initiated publication of detailed statistics on deliveries of cotton upon the New York Cotton Exchange.

One means of restraining speculation is to limit the amount of grain or cotton futures contracts an operator may buy or sell in one day, and also the net long or short position an operator may acquire in any one com-



modity. The C.E.A. now contemplates limiting net positions to 2,000,000 bushels of grain and prolonging the period between the cessation of trading and the delivery deadline in any single month, so as to minimize the chances of a shortage of deliverable goods creating a temporary price bulge.

The present law requires commission merchants to segregate the margin monies or collateral deposited with them by the trading public. While the percentage of customers who in the past have lost money through non-segregation of margin monies is small, those who suffered losses when brokers failed were hard hit.

### Enforcement not arbitrary

THE C.E.A. has not made hasty or arbitrary use of the important powers given to it in 1936. Although violation of the provision of the Commodity Exchange Act dealing with segregation of customers' margin funds is a penal offense, the C.E.A. has enforced this feature without invoking penalties, at least up to the time of writing this, although several cases are under investigation. In those few instances where rather fundamental violation of the act was discovered, informal notice that changes must be made has invariably resulted in remedying the situation. "Controlled accounts" have had careful observation. Additional attention is being paid to various undesirable practices and questionable reports or news items which often are important enough to influence prices.

As between government regulation and self-regulation of the exchanges, there is no doubt that the former is much more cumbersome and more expensive to the trading interests affected, as well as to the federal Government.

The important question is: which type of regulation will give the general public the greater protection? Which type will be most effective in eliminating fraud, deceit, unfair practices, wide price fluctuations, and the like?

The group which favors government regulation insists that past experience shows that the exchanges are at times incapable of disciplining their own members.

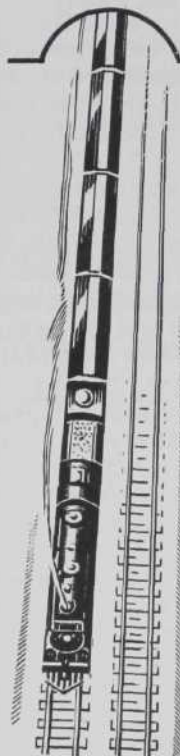
This group happens to be in the majority. Therefore, government regulation is here to stay. Boiled down, the question is simple:

What kind of government regulations are we to have?

Experience with the Commodity Exchange Act to date indicates that those directly affected by regulation might be considerably worse off than they are.



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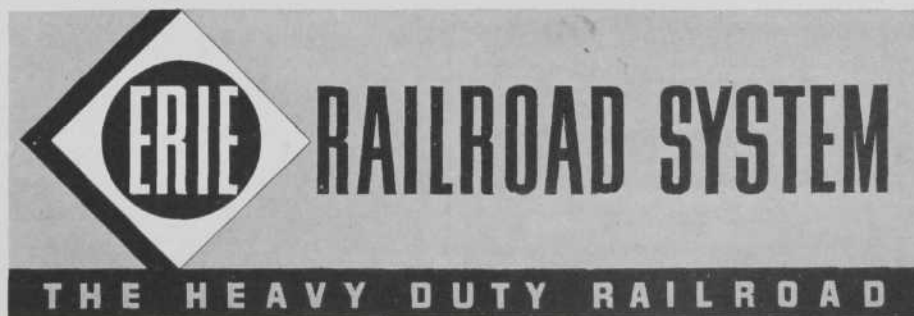
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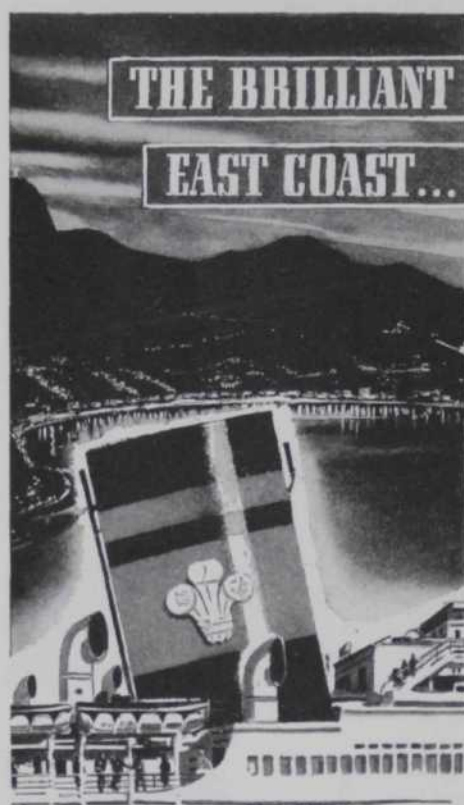
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## Philanthropy That Pays Dividends

(Continued from page 22)

inal subscribers to the stock contributed their money with no thought of return. They looked upon the movement as a philanthropy only. Today they consider it among their soundest investments. The companies disclaim to be charitable institutions.

The companies have never had any difficulty in financing their operations, local financial institutions always being willing to take their notes.

As a matter of principle, the companies have never borrowed except in a conservative ratio to their net worth.

Recent sales of stock have been \$110 a share for the Sanitary Housing Company and \$150 a share for the Sanitary Improvement Company.

The land has been bought at prices ranging from 12 cents a square foot to 50 cents a square foot. The 12 cent land did not have all improvements so that it was necessary to add part of the cost of sidewalks, curbs and gutters. The electric and gas supplies are provided by the public utilities without cost to the owner.

### Costs have varied widely

THE construction of buildings over such a long period has resulted in considerable differences in prices so that the question of costs cannot be answered explicitly.

The same planned and constructed buildings have varied in cost 73 per cent in the past 20 years, or from 12 cents a cubic foot to 20.8 cents a cubic foot. The recent buildings with oil heat, refrigerators and tile baths, have cost from 28½ cents to 30 cents a cubic foot.

The depreciation on the buildings is figured at two per cent a year.

The buildings, except for major items or replacements, are kept in good repair by a force of workmen regularly employed.

The agents of the companies examine the prospective tenants personally and have them fill out a questionnaire. Their references are consulted. We have no absolute regulations in regard to incomes but try to confine the occupancy to those of moderate means. We decline those whose income we think is above the group.

A census of one group of 108 disclosed that some were employed as government workers of the messenger or laboring class, others were in domestic service; chauffeurs; truck and taxi drivers; laborers; porters and messengers; laundry workers; factory workers; welfare workers; gas

station employees; pensioners; barbers and hucksters.

We are informed that some of these tenants were on relief.

The average income reported was \$657.30, and the average rents paid were \$16.87 a month. There were 13 rentals at \$12.50 a month and 13 at \$13 a month.

The plan of these companies would seem to fit any group—but I am inclined to think that any collective movement for providing living quarters should conform itself at present to those less able to manage such affairs for themselves. As a general limit I would suggest that the top figure should be within \$50 a month, including heat, hot water and janitor service. Our own apartments renting from \$30 down do not include heat, hot water and janitor service.

These companies have, within the past four years, extended their operations beyond the \$30 limit and produced quarters which we once would have considered extravagant.

The great difficulty in all such housing is how to provide for families with several children. We have treated it somewhat by lowering the rental of the larger apartments and raising the smaller, in proportion, in fixing the rents.

In a fairly large enterprise, this could be adjusted within limitations. The question as to whether it is practicable to erect such buildings on slum sites is too difficult to answer briefly because the circumstances may vary so much.

A basic suggestion might be to have the municipality acquire the property and then sell it to those who would agree to erect suitable buildings. The loss on the land, if any occurred, would be represented in increased taxes on better properties and social benefits, such as savings in police and fire service, in corrective and penal institutions, and in indirect social benefits.

The companies' operations are not complex.

Their work is the same as that of a private owner who buys a lot, builds a house and rents it. He is careful as to the cost, and economical in his management.

A good set-up would be to raise a certain amount of cash capital, and limit the borrowing to about 30 per cent of this amount. This could be paid off with the depreciation reserve or surplus, if any, within a reasonable time. Then you would begin making income on a larger base line.

One may not go so fast with this idea, but it would be more sure.



# FOR SALE - A CITY



Competition grows among the cities of the land. How to keep established industries—how to attract new ones are increasingly pressing problems. Is advertising the solution?

Bayonne, New Jersey, advertised its industrial advantages in 16 publications—11 newspapers in 7 cities, 5 nationally distributed magazines. 457 inquiries were received; 70 per cent of them were from advertisements that appeared in *The New York Times*. 122 inquiries proved fruitful of definite negotiations; 78 of these were from advertisements in *The Times*. They came from leading industrial executives all over the country.

The first advertisement in *The Times* "developed more prospects and bona fide leads than any advertisement we have ever run," writes Stuart G. Arnold of Roeding & Arnold, Bayonne's advertising agents. One result was a deal including a half-million dollar piece of property.

Other communities—and other advertisers selling a wide variety of products and services—are using *The Times* with similar success to impress men and women of influence throughout the nation.

May we carry your story to them also?

*This Shows How  
The New York Times Produces  
BAYONNE'S FRUITFUL INQUIRIES  
April 26-November 1*

THE NEW YORK TIMES	78
NEWSPAPER B.	2
NEWSPAPER C.	1
NEWSPAPER D.	1
NEWSPAPER E.	0
NEWSPAPER F.	0
NEWSPAPER G.	0
NEWSPAPER H.	0
NEWSPAPER I.	0
NEWSPAPER J.	0
NEWSPAPER K.	0
MAGAZINE L.	0
MAGAZINE M.	14
MAGAZINE N.	8
MAGAZINE O.	3
MAGAZINE P.	2
NOT CREDITED TO ANY MEDIUM	1
TOTAL	122

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## Heads, They Win—Tails, We Lose

(Continued from page 19)

his special calculations, can arrive at a much smaller credit.

Also other credits do not always mean what the word implies. A specific credit of an amount not exceeding \$5,000 is allowed to corporations whose adjusted net income is less than \$50,000. After Uncle Sam plays around with this \$5,000 for a while it starts to grow less and less. In writing it looks all right but in practice it's all wrong.

We will leave corporate problems for a while and go back to something a little different. Suppose you sold some stock on a given date and realized a gain from the sale. You are required to report this gain in your income tax return. Also, if you should happen to repurchase substantially identical securities, due to a drop in the market, within 30 days either before or after the date of sale, it would not affect the taxability of your gain.

But, on the other hand, if your original sale had resulted in a loss, you would be permitted to deduct the loss from your other income in your income tax return according to the length of time the stock was held; subject, of course, to the \$2,000 limitation. But let us assume that, after suffering this loss on the sale of the stock, you repurchased substantially identical securities within 30 days either before or after the date of sale. Your loss would, as a result, be auto-

matically disallowed for income tax purposes because it was a "wash sale." You try to figure it out—but, in the meantime, it is just another case of being counted out before you hear the bell.

Here is another good one. Suppose a firm had discovered a defalcation in 1936 and expected to take the loss on its income tax return to be filed for that year. The defalcation was accomplished over a period of months in 1934 and 1935. Should this loss not be an allowable deduction for 1936? It should, but it is not. It is not allowed because the loss was not discovered in the year the defalcation took place.

In other words, if a defalcation occurred on December 15 of one year and was not discovered until January of the next year, the taxpayer would be entitled to no income tax deduction for the year in which it was discovered. This is true even though, in the natural course of events, the books for December would not be audited until the next year.

You can't even stop here. Suppose a person "plays the ponies" or is a confirmed gambler. Both practices are strictly against the law in most states. If this person happens to strike it rich in one year, Uncle Sam demands that he pay income taxes on this "unlawful" income. According to our income tax laws it is perfectly legal to pay taxes on illegal income. Perhaps that does not sound so bad



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"Fill him up with a bottle of orange drink"



but let us look at it from the other angle. Suppose our friend suffers a loss in his gambling transactions. What then? Does Uncle Sam not say that, inasmuch as he taxed his gains, he will allow the deduction of his losses? He does not. Losses can be deducted from the amount of gains from similar sources but no excess of losses can be deducted from other income. And even the deduction of losses has hidden strings attached. This case only takes into consideration the income tax point of view—not any other angle.

Still it goes on and on. I'm beginning to show signs of wear myself so we will just take a look at one more example.

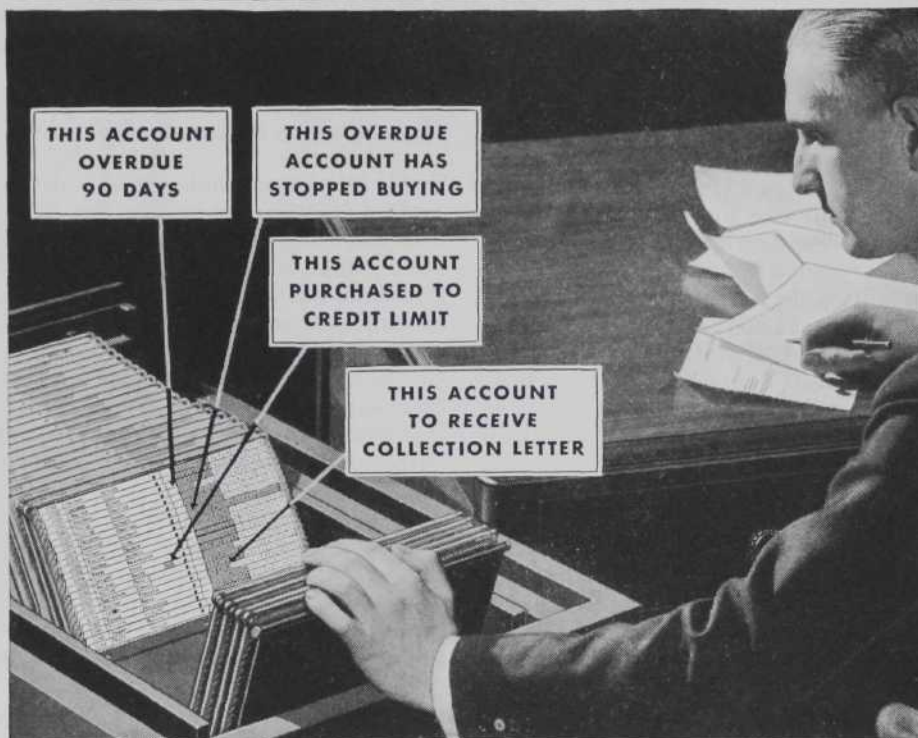
### A tax on no profit?

ASSUME that a corporation for the taxable year 1936 had a taxable income of \$80,000 and at the same time had a capital net loss of the same amount. What effect will this have upon the taxable status of the corporation? It should be remembered that, for normal tax purposes, a capital loss is only deductible to the amount of \$2,000. This corporation paid no dividends. Is it to be penalized with the additional undistributed profits tax for not paying out in dividends this mythical income? There's a real one for you to figure out. It's way past me but the courts most likely will be called upon to settle it before long.

It is more apparent than ever that, at present, our whole taxing system should undergo a thorough examination from which should come some major operations to cure the ills which have been for many years undermining its practicability. This maze of arbitrary rules and regulations—both haphazard and inequitable—if allowed to continue, will most surely deter our attempts to achieve once more for the United States the prosperity which is so necessary to our national welfare and to the peace and happiness of all our citizens.

A real tax structure—well regulated and levied within reasonable limits—would and should never be objected to. Every citizen should be income-tax conscious but never rendered unconscious from the effects of such taxes. Hidden taxes by the score, unprecedented high rates of surtaxes, the arbitrary determination of income without regard to what constitutes true net income, the failure to allow losses to be carried forward from one year to another, the inequitable effects of the capital gain and loss provision, and the stifling results of the undistributed profits tax upon corporations have only served to illustrate the utter crudity and injustice of our present income tax system.

## How the Palmer Match Co. of Akron IMPROVED COLLECTIONS \$80,000



### *Kardex Vertical Visible cuts collection period a full 28 days*

A REMARKABLE new system has enabled famous Palmer Match Company of Akron, Ohio to shorten collection time 28 days, freeing \$80,000 from their accounts receivable. Here's how they make this worthwhile saving.

**NEW DOUBLE-DUTY RECORD.** A Vertical Visible ledger eliminates duplication by using Palmer's machine posted cards as a graphic, easily reviewed credit and collection record. A progressive signal moves the margin from January to December, showing month of oldest unpaid balance at a glance; also credit limit reached or account inactive. A separate scale for days of current month affords positive signaling for collection follow-up, saving time

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**OPERATING COST CUT 15%.** Quicker collection, made possible by closer control of accounts, is only one major saving. Kardex has also helped the Palmer Company cut bad debt losses 75 per cent over 1934 and reduce operating expense for records a full 15 per cent.

**SWITCH TO KARDEX.** Such Savings with Kardex Vertical Visible are not unusual. Hundreds of companies, large and small, have found the change-over saves its own cost almost immediately, then pays worthwhile dividends year after year. For full details, phone Remington Rand in your city or write Remington Rand Inc., Dept. G-43, Buffalo, New York.

*OK..it's from* **Remington Rand**



## The Railroads Point a Moral

(Continued from page 24)

and progress in railway operations.

In locomotives twice as powerful, average freight movement speeded more than 50 per cent, 60-mile passenger schedules; in research on a gigantic scale, but carried on obscurely in so far as the general public was concerned, and unacclaimed; in efficiencies, economies and capacities which would have seemed impossible as recently as two decades ago. Here was a gigantic, \$25,000,000,000 million-man industry; intricate, technical; and, offhand, a subject you might consider difficult to "popularize."

And, surely, the start was from scratch. Expensive expansion of electrification was something that would strike the average man's attention. The wholesale introduction of air-conditioning during the most difficult of times was challenging, when attention was called to it. And the planning at the very depression-depth for the various "streamliners" was something that had the lure of popular appeal. But so much of railroading was hard-grubbing detail, without much "glow." Or so one would have said.

However, as the railroads tried to tell their story, it was surprising how much interesting and graphic stuff they turned up.

Editors were among those who noticed all this. They'd had the railway "problem" or "plight" to saturation point. Moreover, by print and over the air, the public had had an overdose of gloom, diagnosis and trouble-shooting covering nearly all branches of human activity. What the railroads were doing was different, a story having an encouraging and comforting "go ahead" theme. As to that, rails didn't differ from other industries—all were reaching for recovery and progress; but the railroads had aroused an interest in their story. And editors, with that sixth sense of public interest that it takes to make a real editor, began to tell their readers more about what railroads were doing.

The paid advertising of the Association of

American Railroads was by no means the only measure undertaken. It was, in fact, little more than the banner under which the whole program marched forward, a sort of periodic reminder of the story to be told. The Association's advertising has appeared in magazines and farm journals of general circulation. At the same time, it was recommended to individual railroads that, wherever possible, they tell their story more strongly through advertising in the newspapers in their own territories.

### Cooperative national advertising

THE idea was that each railroad could sell itself and its services in its own territory better than any association could do it for them, but that few railroads were in position to make economical use of general magazine circulation. One result of the campaign has been a considerable increase in newspaper advertising by railroads with more and more of the national story being written into local copy.

The story of how such an effort as this rolls on and grows is pertinent. In the first place, the railroads themselves have taken hold and developed their own uses of the material and the themes of the general story in the

millions of contacts which they and their employees have each day with the public.

More than a million passengers ride on railroad trains each day and many of them have had an opportunity, through posters and booklets, through timetables and menus, to see some part of this railroad story. The demand for booklets, leaflets and other literature has at times almost swamped the Association staff, which might, for example, plan a press run of perhaps 50,000 on some new piece of literature only to have the demand for it mount quickly toward the million mark.

Without invitation, 300,000 youngsters barged in with requests for material—and got it. Requests for data from schools and colleges mounted until meeting that demand presented a new problem. Also, one to be solved, remembering the 3,000,000-a-year procession of youth. Another unexpected angle has been the growth of a considerable new excursion business in trips to railway shops and to plants where locomotives are built.

As noted, the railroads didn't know how to do this job. But they tried. A lot of the time, I think, they were shooting an arrow into the sky, not knowing, etc.—and getting surprises in response. And the response—which was general talk among people and a changed attitude by them—has been tremendous and immeasurable. The cost has been a trifle when compared with the \$4,000,000,000 gross annual income.

### Frankness

THERE seems to have been no "formula" for this job of telling the world, unless it was use of open candor and simple common sense.

The thinking behind it all seemed to run something like this:

Get the facts. Spread them out. Lay the cards, face up, on the table. Discuss everything with open candor. There's nothing to hide. Never mind what the critics "might" say, they'll say it anyway. Of course, we have problems. Describe them. But no self-sorrow, complaint or whining. We have no problems which under-



"Let him go. He paid in advance"





If you are interested  
in a special pamphlet  
on this subject, write  
NATION'S BUSINESS  
No obligation.

# They're at it *again!*

**C**LEVER... these nation-savers who set up the "straw man"!

They know human nature. It's an old story... building a "straw man," labeling it "Business," using it as a whipping boy... clever, even if it isn't new. Some of the people fall for it all of the time.

But why a "straw man" *now*?

The answer is simple. There's a "recession" to explain. Things have "gone wrong," so the best defense right now is attack. An attack needs a target—and good old "Business" is nominated again.

The technique is easy. Single out an example, but don't use names. Just say... "See, here is a man. He is a bad man. He is also a businessman. Therefore businessmen are bad."

So easy to set up a "straw man"... so satisfying to crack him down!...over and over again!...the old trick with a new dateline!

Easy—but business—real business—all business suffers—the innocent many for the blamable few. And suppose all these bludgeonings, regulations, taxes do succeed in putting the K. O. on business. Who wins?

When businessmen cannot see what's ahead for them, when confidence crumbles and the public is slow to sow its dollars in the market place, when the chances for a fair and reasonable harvest are shadow-slim—pounding the "straw man" won't help.

So don't be fooled. Hurting businessmen hurts business. And what hurts business hurts you.



*This advertisement is published by*

## NATION'S BUSINESS

It is the eighth of a series appearing in *The Saturday Evening Post* and other publications.

Our subscribers will recognize in it the spirit by which *Nation's Business* is guided and the purpose it serves—to encourage straight thinking about business and its relations with government.

If the message interests you, we are prepared to supply, upon request, copies in poster size for bulletin boards, and in leaflet form for distribution. Mats for newspaper use and electros for house organs are available. Write NATION'S BUSINESS, WASHINGTON, D. C.



## Ride this NEW Streamliner to San Francisco!



**TWICE as big  
TWICE as powerful  
TWICE as luxurious**

It is difficult to avoid superlatives in describing the new Streamliner *City of San Francisco*. Its cost (including Pullmans) was \$2,500,000, and the result is a train surpassingly beautiful, supremely comfortable. It makes five round trips a month between Chicago and San Francisco on a schedule of 39¾ hours—only one day and two nights en route!

### "GO ONE WAY RETURN ANOTHER"

When you go west, Southern Pacific invites you to go on one SP route and return on another SP route. Thus you see *twice as much* of the West as you would by going and returning on the same route.

Southern Pacific's Four Scenic Routes serve California, the Pacific Northwest, the fast-developing areas of Southern Arizona and Texas, and the picturesque Old South of Louisiana and New Orleans.

**WRITE TODAY** for our booklet, *How to See the Whole Pacific Coast*. Address O. P. Bartlett, Dept. NB-3, 310 So. Michigan Avenue, Chicago.

# Southern Pacific

THE WEST'S GREATEST  
TRANSPORTATION SYSTEM

standing and common sense can't solve. Lay out the facts and then let's see what can be done about them.

This attitude took full cognizance of the fact that it was natural that a perverted view of the railroads existed—since we'd had a bad case of nerves and self-diagnosis and trouble-hunting are symptoms of neurosis. There was never any quarrel with the fallacies, the misconceptions, or with their authors. Never mind the quibbles of rebuttal, a negative thing at best; tell the positive story with truth and candor. And, I would add, in the right "tone"; and as for that nebulous thing, there are neither charts for achieving it nor instruments which can measure it.

Railroads still have their troubles, but the public is viewing them from a new basis of respect for railroad achievements under difficulties, and confidence in railroad ability to do the job if given a fair chance. For proof of the correctness of this statement, I refer you to the public reaction to the pending railroad application for increased rates.

The lesson from all this? The public can be "given the opportunity to know and understand industry and management," and the future is more pleasant to contemplate when such understanding exists.

There is a lot more to that job, of course, than just advertising or publicity or speeches. The public relations of any business are affected by all sorts of relations—with customers, with employees, with government, with security holders. As one railroad man put it, the public relations of the railroad industry are the sum total of all the contacts of all the railroad people with everybody else. And it is in that spirit that the railroads have tackled their job.

Business has been blamed for so many ills. It has been said to be "on trial." It has been told that, although it can tell the public about its products and make it believe, when it tries to tell the public about itself, the public does not believe. That appears to be accepted as an axiom, rather than a new problem to be solved.

It seems to me that there are lessons for business in general in the technique adopted by the railroads. Here are some of them:

Business has been telling itself the truth about business. A convention address, delivered before a select audience, quoted briefly on the financial pages, then reprinted as a neat booklet for private mailing, may be a work of art. But what has it said to the whole constituency? The railroads talked to the whole constituency.

Usually, a business leader who thinks something should be said, and who says it, thinks once is enough.

The railroads reiterated in great variety, using everything they could reach.

Perhaps I'm guessing. But the guess is that, if an executive is to make a speech before an important group of men who already believe everything he is going to say, helpers scurry about gathering material and much time is spent in making the thing perfect. But let a large section of the public walk in open-armed, in the form of a writer ordered by an editor to get an interview, and you'd be surprised how difficult it is to find time for that.

Mr. X made such a speech. A three- or four-inch story about it in a newspaper made the alert editor of a national magazine of large circulation think that Mr. X's progressive, forward-looking views would make a good article. He sent a writer to get the article. There was no trouble about that, but it was not possible to deliver the final, edited and authorized copy until 11 weeks later. The editor, who had started with enthusiasm and held spots open in his schedule for three successive weeks, thereupon "forgot" the article for three months, then used one-third of it. The theme was, approximately, that business must tell the public!!

Extreme as an example, yes; but I can assure you that the same thing happens on a small scale—in elapsed time of delay—repeatedly. With the same opportunity, there's no delay by the critics of business.

### Repetition is necessary

CONSIDER for a moment the group habit of deciding that there should be agreement upon principles, or upon a program; and that this shall be formally drawn and promulgated. So far, good; it centers thinking on problems. But isn't it assumed that, once these are promulgated, "everybody will know exactly where we stand and what our objectives are." Of course, everybody doesn't. Such pronouncements may get one reading. But probably not. Because few things can be duller than "group written" copy. Everybody's conditions and caution go in, and nobody's sparkle survives. If "business" has been thinking that proclaimed programs tell the world, I'm afraid it has been wrong.

An outsider's inquiring guess! Is it true that organizations and corporations become most publicity-conscious only under a specific attack? And that then any "publicity" is likely to take the form of rebuttal? Rebuttal of the other fellow's story isn't good selling when you are dealing with commodities. Is it any more effective in selling ideas? Certainly it



is negative, in that you are merely trying to catch up with an untruth. You let your critic, your opponent, pitch the whole tone of your own publicity when you devote yourself to rebuttal.

The railroads avoided that pitfall. They correct mistaken statements of fact, of course, but the main thread of their story is not concerned with what others have said about them. It is concerned with telling the world what they have accomplished, what they mean to all of us.

### Public relations are important

THERE is a conviction which has remained with me during several years of writer-contact with business. It runs this way: The lawyer, engineer, expert accountant or specialist of almost any kind can speak with authority to his boss—excepting only the man who has been hired because, at some time, the boss thought he needed a specialist on "public relations." He speaks with a still, small voice; and usually only upon request. There are fine exceptions, enough to prove the rule.

Also, more often than not, it works out this way:

The press department—which the press agent, director of publicity or public relations counsellor heads—is under "advertising," which is under "sales," which is under a "vice president in charge." That's pretty far away, down the organization chart; and hardly in line with needs of today. But there's another setup in use in some places, and when the boss's door is open to a public relations man who has status, stature and proximity, it is pretty nearly axiomatic that you will find that that company stands well with the public.

I have wondered often what a timesheet on actual hard thinking and planning on the question of public relations by business leaders would show. Is it something to be talked about in convention and at luncheon conferences and left to a stymied, and down-the-line ex-newspaperman during the work-day week? But I have no doubt that the railways' campaign for a better standing in the public minds took a great deal of time and thought by the president and other officers of the Association, by the presidents of railroads, and all the way down the line.

If the misunderstandings of business in general are as great, and as grievous, as many tell us, then, in all logic, there's only one answer:

Put your minds on it. Avail yourself of every worth while opportunity to tell your story. And tell it.

That's what the railroads did—and are doing.



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*Intelligently*

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America of today and 1868 seem unbelievably apart. 37 states made up the Union then. Much of the middle west was barren prairie. Chicago, only 20 years removed from an inland trading center, gave little promise of the world metropolis of today.

The growth of the little agricultural bank so proudly — and hopefully — founded March 12, 1868 has closely paralleled the development of the great central market. Today its activities are far flung through many states — in many fields of business. Today, too, it is the richer for the experience of the past — the better able to meet the needs of the future.

OF INTEREST TO BUSINESS MEN EVERYWHERE — the absorbing story of Chicago through this remarkable 70-year period — told pictorially and factually in an interesting booklet. Send for a free copy.

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Actual Size

## Land Ownership Won't Make Smart Farmers

(Continued from page 30)

income with home manufacturing such as weaving or blacksmithing.

The Industrial Revolution took away the outside income. Cheap and productive land in America and Australia, plus machine agriculture, produced grain for England cheaper than English farmers could produce it. They tried to beat an economic situation. They mortgaged their farms and lost them. They became tenants and the size of farms owned by the aristocracy increased.

These larger units produced meat profitably. Pasture and cheap imported grain fed to livestock became the road to prosperity. Livestock, in turn, provided manure to rebuild soil.

Although England had a traditional pride in mere ownership of land which limited profits, certain tenant abuses developed. A tenant often was not allowed to stay after he had bought fertilizer and worked hard to make the land more valuable.

### A system of tenantry

HOWEVER, the English learned. Laws were passed to protect the tenant. He won the right to stay on land if he did not abuse it. If the landlord did out him he could sue for disturbance damages to the full value he added to the land.

Tenants used all their capital to buy equipment. Landlords' returns were small but steady and their investments were protected. The English Tenant Act of 1923 codified these laws which are not one-sided. Landlords have plenty of power to remove a poor tenant. They, too, may sue tenants for damage to property.

England also developed an enlightened landlord system supplying managing ability. The English land owner takes an interest and guides his tenant, contrasted with the American investor who too often knows only that "this check isn't as big as it ought to be" when the tenant sells his crop.

Cheap grain from new lands ruined Denmark's foreign markets since Denmark was a grain exporting country. Its soil was depleted. Tenantry was increasing. Denmark had learned, however, that agricultural prosperity required intelligent, trained farmers. She had started a system of agricultural apprenticeship under the Royal Agricultural Society as early as 1820. When trouble arrived, Danish legislation made it easy for young men, properly trained, to buy land.

Denmark found new markets, too, for pork, milk, butter and cheese and

sold to England. The dairy program helped rebuild Danish soil. Nearly a third of Denmark's land became subsistence "farms," providing food and some income but supplemented by industrial jobs.

English tenantry rose to nearly 90 per cent and agriculture succeeded. Danish home ownership was 90 per cent and succeeded. Experiences of these two countries are not held up as perfect answers. But they do prove there is more than one way out of a difficulty. Analyzing both approaches to changed situations these factors emerge:

1. The good farmer is guaranteed continuous tenure.
2. There is definite effort to supply technical information and management ability.
3. Systems of small area farming succeed only where there is a supplementary income.

Application of these principles probably will be easier if we try to see the American picture in a single state. Oklahoma, within its boundaries, has almost every type of agricultural problem which plagues the nation. More important, recent studies and statistics are available. So let's put Oklahoma under the microscope with Denmark and England.

The state is bisected east and west by the wheat and cotton belts. Its eastern section is moist, mountainous and timbered, interspersed with fertile valleys where corn grows well. In the west are high dry plains of range land.

Corn, cotton, wheat and livestock — mountains and plains — water erosion the main trouble in half the state, and seven of 77 counties in the Dust Bowl; 61 per cent of its farmers tenants — that's the picture.

A soil survey by the United States Department of Agriculture reveals that only 20.5 per cent of the state's 44,586,881 acres of farm land had little or no soil erosion in 1934.

On 44.4 per cent of the state's surface three-fourths of the fertility has been washed away. Much land already is abandoned after less than a half century of agriculture.

Where water hasn't destroyed, man has ripped off nature's grass covering so wind could do its worst. More than 15 per cent of the state's surface is affected by wind erosion, 4.4 per cent, or nearly 2,000,000 acres completely destroyed.

What's true in Oklahoma is true in every other section more or less. Tenantry gets the blame. But it all began with land owners.

Oklahoma agriculture also is in the



midst of an industrial revolution. Machines are making large farms larger and small farms smaller. Just as loss of markets forced England and Denmark to change methods, so soil losses and low prices are forcing American changes.

The 1935 farm census found 21,337 more farms—an increase of 11 per cent—in Oklahoma than in 1920. However, in 25 of 77 counties there have been reductions.

The reductions came, roughly, where there is least soil erosion and land is smooth, ideal for machine methods; and where erosion has forced farm abandonment.

Population concentrations are those near larger cities where workers, crowded out by depression, have sought to supplement industrial incomes from acreages; and in the areas where land is cheap, no matter how poor.

### We settle poor land

THE MOVEMENT to cheap small tracts in poor mountain areas is inevitable. There is usually soil enough for a garden. A few fruit trees and berry bushes will grow on the mountain. The slopes may provide pasture for a cow or pig. If a man is lucky and gets a few odd jobs from a wealthy neighbor he is secure.

It is true that in such areas houses are shanties, schools meager, roads poor, and there is inevitable degradation of society. But when a man has tramped city streets looking for work; when he's been hungry and his family suffering; when he's dreamed of cream and pork sausage he knew as a boy, a farm, any farm, is a refuge. Every census reveals cheap lands are being populated faster than any agency can clear them by resettlement.

This is almost exactly the situation prevailing 100 years ago in Denmark. The Danish Government provided education. It trained boys to exist on worn out, worthless mountain land, rebuild it and make it pay. But Denmark also provided outside jobs.

America has begun the education. High school vocational agriculture classes and 4-H clubs will develop educated farmers eventually. Extension workers have done remarkable work in adult education. But ignorant field hands will not learn to conduct a complicated business overnight.

A nation cannot skim all the brains from its rural population to build cities forever; it can't adopt a policy that, if a man fails at everything else, he can always farm and build a prosperous agriculture—quickly.

Industrial part-time work will produce far quicker results than education. Industry has been trying to decentralize. In these areas now being

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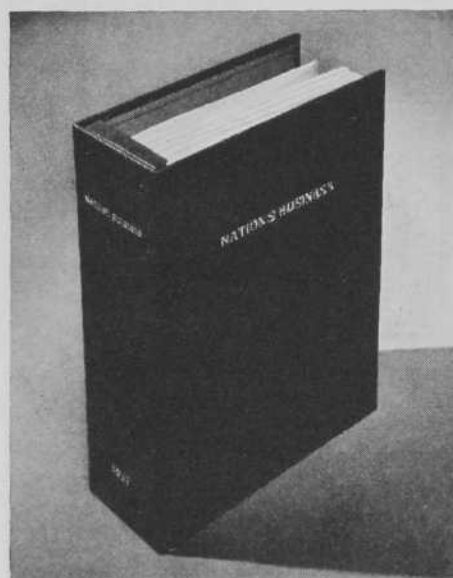
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**WITH ALL THEIR LITTLE ACHES AND PAINS AND "MORNING AFTER" WOES, WHO'D WANT TO LIVE WITHOUT A MAN? I WOULDN'T, - GOODNESS KNOWS!**

**MINE OVERSTUFFS AND THEN COMPLAINS, HIS STOMACH'S "ON A TEAR," BUT A GLASS OF ALKA-SELTZER SETTLES THINGS RIGHT THEN AND THERE**

**WHEN COLDS OR HEADACHES GET MY MAN SAY! HE'S NO "ANGEL CHILD," I GIVE HIM ALKA-SELTZER BEFORE HE DRIVES ME WILD**



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settled in spite of everything, industry can find water, fuel, labor and transportation. Factories eventually will arrive in the "backwoods." Intelligent business can hurry the process so this generation, too, may live a decent life.

This form of tenantry, subsistence farming, has stolen the headlines. But the real problem is the tenant attempting to make all the living for his family on the land and satisfy a landlord.

The rent usually is paid in a share of the crop. It may be cotton, corn, wheat or tobacco. It is always a crop that can be marketed readily because the landlord wants cash. Such forced production of cash crops is the basis of market-breaking surpluses. And, almost invariably, they are those which do the most damage to the soil.

The landlord believes he can't afford to take an indirect return from diversified agriculture. The tenant can't pay cash. Neither will build terraces, homes, or improvements to benefit the other. So the "country goes to hell!"

The cash crop then, brings this result in Oklahoma—the average tenant lives on a farm 15 months. Three-fourths of them move every year. They've been doing it for generations. They no longer know how to farm. The landlord "cusses" the tenant and the tenant "cusses" the landlord, and, they're both right.

Probably half the nation's tenants are positive menaces to future prosperity. They never heard of farming methods which are not destructive! On the other hand, the city investor-landlord never knew anything about farming. Many times he's too ignorant to allow even an informed tenant to adopt good practices.

It is here the federal soil conservation program, payment of bonuses from the public treasury for diverting soil depleting crops to soil building—a program prosperous farmers adopted long ago—eventually may pay its cost. Educational results have been phenomenal. They have proved to landlords and tenants alike that rotation is profitable.

But the real value will come from increased production—yes, that's right, increased production even though it is designed to reduce surpluses. Richer soil always produces more abundantly. Abundant production is cheaper production. Lower costs mean that farmers can sell at lower prices profitably. A varied crop program spreads the risk. Prosperity still comes from production.

But the soil conservation program will never suffice. It's too expensive. It's too much a part of our newest national racket of "something for nothing." It's, after all, an after-thought.

It is here that English ideas can benefit us. It is really strange how our "statesmen" have missed vote getting possibilities of legislation to protect tenants. Much shifting of good tenants, because even good ones can't meet impossible demands of some landlords, could be stopped immediately by a "disturbance damage" law.

Legal modernizations cost little. But they would solve the worst of the problem—lack of tenure—bringing better homes, schools, roads, and living conditions; steadier incomes for landlords and more business.

But what is to become of tenants who lack training to carry on a farm operation? The answer is education of landlords. That's where every business man has a job, learning or urging someone else to learn. It needn't take many years to make land ownership a public trust. But, while approaching that, state governments could well afford to adopt simple, economic appeals to human selfishness.

Tax exemption for a woodlot, for instance, would promote reforestation; or tax exemption for abandoned farms for five years while terraces are built and soil re-established—while land is in an unprofitable condition—would get results. The farm isn't an asset to tax rolls anyway unless something is done.

Every American business man has a real stake in agriculture. There are undoubtedly problems of foreign markets, financing, prices and surpluses which must be solved by national legislation. But most of the problem is strictly local.

The tenant problem can be solved, cheaply and permanently, if local business men get down to business and, incidentally, use a bat on every proposal which makes another raid on the national treasury.

## What Shall We Do With Them?

(Continued from page 54)

these? It's a mystery to me. At the age of 14 or 15, the youth still has a certain respect for the older man's knowledge; he still absorbs teaching; he does not resent criticism; girls don't interest him; he finds his interest in those new things he is learning in the shop. It is still an age of experiment with him. He is willing to learn.

My thought: if it be so unholy and wicked to permit the boy of 15, who will never have an opportunity to go to college, to be employed and taught to work in a commercial industry, then let's establish various types of



state or governmental industries which are not permitted to sell their product but which will serve the basic purpose of teaching the young boy a real trade and, above all, teach him how to work.

Possibly better yet, permit factories and industries to take these boys into their organizations under the old time apprentice system, paying them a small income (my own apprentice income was five cents an hour) and permit those industries to deduct the cost as non-taxable income or surplus.

Let's get it through our heads that a high school education does not fit a boy for a single, solitary position in an industrial organization. After high school it is usually too late.

Now get me straight, I am not opposed to the child labor restrictions which eliminate many of those forms of child labor we all know; those designed to exploit child labor at the cost of the child and his welfare, but I do oppose this form of restricting child labor which is preventing the child from learning, which is teaching him to become the world's champion loafer and which is definitely destroying his future welfare.

In conclusion I wish to cite but one more experience. To me it was the most startling revelation of the decline of youth and initiative.

### Young men don't qualify

SOME time ago a large and prominent Indianapolis firm needed a mechanical engineer. The requirements for the position were not severe. In the days of my youth many a young man of 25 would have been able to apply for this place. In fact, when I was less than 25 I was holding down a job with equal or greater responsibilities. This firm knows us well. They asked us to recommend a man. After exhausting our list of personally known possibilities, we inserted a blind "ad" in an Indianapolis newspaper, setting forth the qualifications fully. Eventually some 15 replies were received. Not a single one of them came from a man who was less than 39.

Is it any wonder that the father asked me, "For God's sake what are we going to do with them?"

Is it any wonder that half a hundred other fathers have asked me this same question?

Is it any wonder that I ask it of myself?

Is it any wonder that, as I sit at my drawing board and look out into our shop and notice that all of our capable employees are nearly as old as we are, I wonder who will carry on the work of the "Vanishing American" after we are gone?

# Burroughs

## NEW LOW-COST PAYROLL MACHINE



A typewriter that provides  
**4 PAYROLL RECORDS**  
in one writing

- 1 THE PAYROLL**
- 2 EARNINGS RECORD**
- 3 EMPLOYEE'S STATEMENT**
- 4 PAY CHECK or pay envelope**

With fast electric carriage return, electric shift to capitals, and convenient tabulator control—this new Burroughs payroll typewriter writes four payroll records in a fraction of the time required by ordinary methods. It will pay you to see it, as well as other new Burroughs payroll machines from which to select the equipment best suited to your own individual requirements. Telephone the local Burroughs office or mail the coupon.

### MAIL THIS COUPON FOR COMPLETE INFORMATION!

BURROUGHS ADDING MACHINE CO., 6103 SECOND BLVD., DETROIT, MICH.

I should like complete information about the new Burroughs Payroll Typewriter that writes four records in one operation.

Name \_\_\_\_\_

Address \_\_\_\_\_



Much has been said about the desirability of lower prices in the economic structure. It has always seemed to me that the Western Electric-Bell System relationship offers one interesting solution of this problem.

*Edgett Bloom*  
PRESIDENT

## In the Public Interest

If a business did not need to seek or promote its market,

If its customers were fellow members in the same corporate system,

If their orders were consolidated so that economical production could be achieved, *Then*—manufacturing could be conducted most efficiently and sales made without selling expense and without credit loss.



That exactly describes Western Electric's position in the Bell System, and the economies resulting from this arrangement are passed along to the telephone companies in the form of lower prices.

Thus Western Electric contributes its part in making Bell telephone service economical, and justifies its place in the Bell System as in the public interest.

# Western Electric

BELL SYSTEM SERVICE

IS BASED ON

WESTERN ELECTRIC QUALITY

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*President:* "That Preformed rope is a shutdown saver"

*Salesman:* "Yes—for many jobs—it's the best there is"

● "More and more executives are becoming interested in preformed wire rope, sir, because from their own records they have found that on the majority of jobs it will last much longer. That means fewer shutdowns, better machine production and reduced idle time of men and equipment.

"We supply rope for every type of machine or application and we know that on many

jobs preformed gives the user far greater dollar value. It costs a little more but its value is all out of proportion to that slight differential."

It will pay *you* to look into the matter of wire rope. Its failure can be very costly. Preforming of wire rope is so important that it merits the attention of executives. Your regular wire rope manufacturer or supplier will gladly give you full details.

*Ask Your Own Wire Rope Manufacturer*

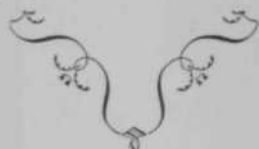
# *Preformed* WIRE ROPE



**Gives Greater Dollar Value on Many Applications**



## WHERE YOU CAN TELL YOUR STORY TO BEST ADVANTAGE



*TRADITIONALLY*, people turn to the newspaper for news and interpretation of the events of the day. From it they get their ideas regarding government and business . . . men and merchandise. Thus the newspaper provides the manufacturer with the most favorable setting in which to tell the story of his policies, services and products.



Throughout the world news breaks hourly! Good news or bad, the people demand it . . . fresh, accurate, illustrated . . . as furnished in the newspaper. And with the news they expect editorial comment . . . the voice of the people . . . fighting their battles . . . guarding their rights and liberties.

No other medium so consistently crusades against disease, racketeering and bad government as does the newspaper. It is without equal in the field of public service and, as a result, it has the greatest respect and confidence of the American people.

Obviously, a medium valued so highly delivers a ready-made, interested audience which an advertiser may address under the most favorable circumstances.

Founded on the basic interests of people in their own community, the

newspaper is welcomed as a daily familiar into the homes of readers . . . concentrated in markets where prospects and pocketbooks are thickest. It reaches everybody reached by any other form of advertising. It is the basic medium in any program to create favorable public opinion and volume sales.

*IN CHICAGO*, the newspaper which has become an essential part of the daily lives of the majority of the families is the Chicago Tribune. It provides a great, constant audience attracted by the vital quality of Tribune news reporting, its staunch independence and its aggressive action in advancing the welfare of readers.

Through the columns of the Tribune the advertiser can address the men and women in every walk of life in the Chicago territory. With over 670,000 circulation in Chicago and suburbs alone, every day of the week, the Tribune reaches this market's largest and most responsive audience.

Chicago retailers, on the basis of results, depend chiefly on Tribune advertising to help them sell hundreds of millions of dollars of merchandise annually. They spend the greatest part of their advertising ap-

propriations for Tribune advertising.

The Tribune enables the manufacturer to describe his product in detail and to picture it . . . in black and white and color . . . so as to take full advantage of selling features. He can start and stop his advertising in keeping with his needs.

He risks no loss of public favor through inexpert or garbled presentations of his message. He talks to a friendly audience accustomed to frank solicitations . . . and in the habit of looking to the Tribune to get buying ideas.

*THE CHICAGO* territory is celebrated as an active market in which many products were first advertised and from which they expanded to national prominence. Case histories setting out the successful use of Tribune advertising by large and small manufacturers will be supplied on request.

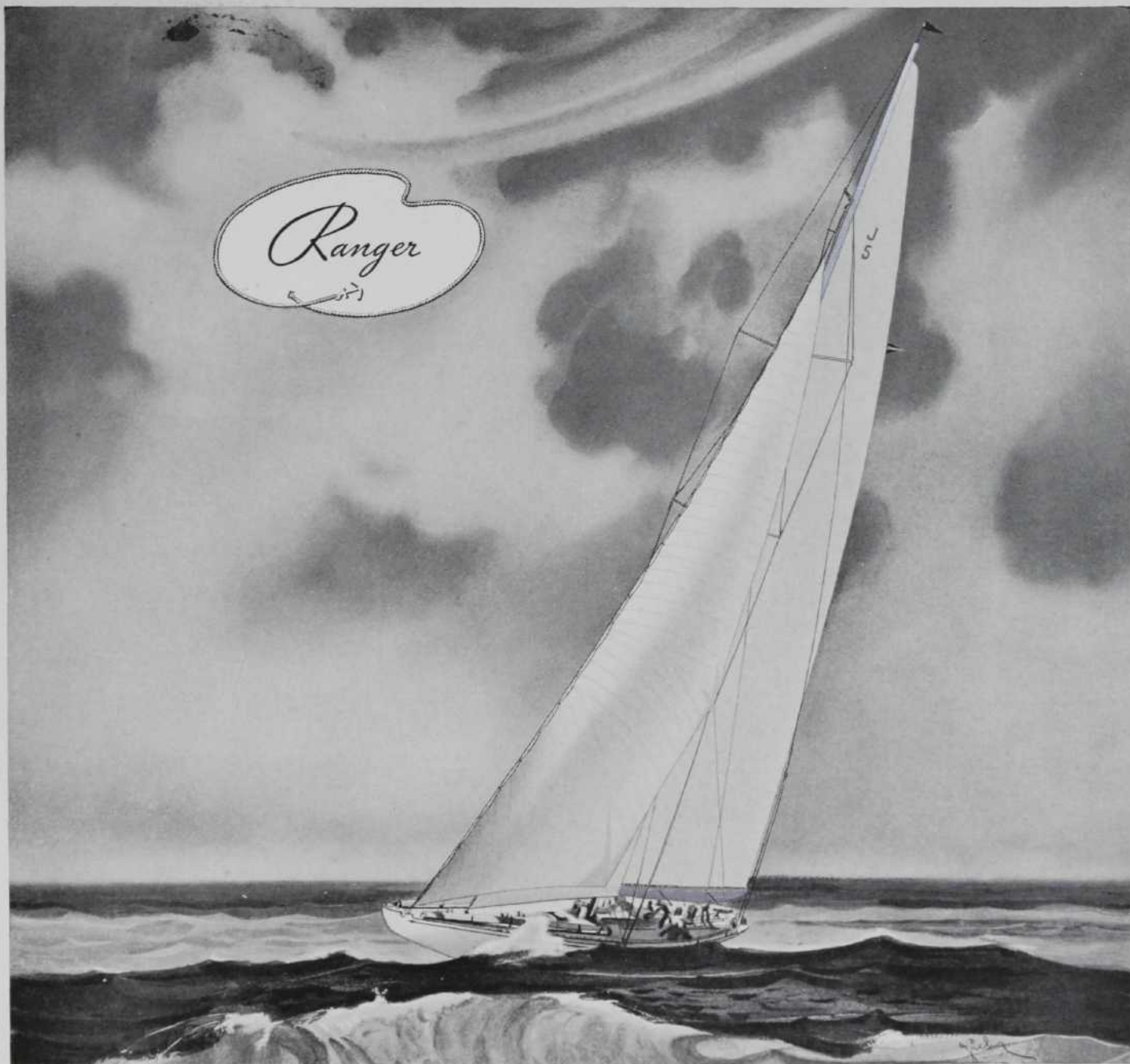
You can get at lower cost a greater share of the business out during the months ahead by making the newspaper the backbone of your advertising program. And in Chicago you can take maximum advantage of sales opportunities by building your plans around the Tribune. Rates per 100,000 circulation are among the lowest in the advertising business.

Total Daily circulation  
in excess of 825,000

**Chicago Tribune**  
THE WORLD'S GREATEST NEWSPAPER

Total Sunday circulation  
in excess of 1,000,000





## The Story of the 16-Story "Stick" Told in Business Man's Language

Let March winds be reminders of the breezes on Long Island Sound last July and August when *Ranger*, Mr. Harold S. Vanderbilt's Class J Sloop, successfully defended the America's Cup in four straight victories.

Ranger's mast is an elliptical tube, 165 feet in length, which stands 153 feet above deck. It weighs 6170 pounds, and it is a single shell of riveted plates of strong Alloys of Alcoa Aluminum. This single stick transmits to the hull the tremendous wind forces on 7500 square feet of sail.

The weight of Ranger's mast was limited by rule. Alcoa Aluminum was used because it made the strongest mast that could be built within the weight limit.

Likewise, Alcoa Aluminum made a stiffer mast. Stiffness means straightness. Straightness makes sails "set" and "fill" more perfectly.

Ranger won her cup races with a duplicate of the first mast made for her. Number one was finally destroyed in a storm which first broke the supporting rigging, and then had to whip the unsupported Aluminum mast for 8 hours before it broke. Yachting Magazine describes this performance as "miraculous."

**IT'S A LIFTABLE IDEA . . .** Salient fact is that Mr. W. Starling Burgess and Mr. Olin Stephens, the designers, used Alcoa Aluminum not to save weight, but to get greatest strength for a given weight.

Lift the idea for yourself. Think not of Alcoa Aluminum only as *light* but as *strong and light*.

And think of our organization as fully prepared to help you take advantage of the latest developments in Aluminum. Aluminum Company of America, 2125 Gulf Bldg., Pittsburgh, Pa.



A full-color print of this illustration, without advertising text, will be sent to you for framing, upon request.

# ALCOA · ALUMINUM



# "Are Camels Really different from other Cigarettes?"

A QUESTION OF INTEREST  
TO EVERY SMOKER



"You bet, John! A fellow in any work as hard as selling has to figure a lot of angles on his smoking, such as how it agrees with him. And just notice how many salesmen smoke Camels. I changed to Camels—smoked 'em steadily—and I found a distinct difference in the way I enjoyed all-day smoking and the way I felt. Camels agree with me!"

A FRIEND DROPS IN to see Bill's model racing sloop. Daly passes the Camels and answers a question about smoking: "That all-cigarettes-are-alike talk doesn't square with my experience. Steady smoking is the test that shows Camels in a class by themselves. They don't make my nerves 'edgy.'"

...When H. W. DALY, 34, rayon salesman, says: "Yes, Camels are really different," millions of other smokers back him up. And that explains why Camels are preferred by the *largest*, as well as the most enthusiastic, body of smokers ever known.



A KISS FROM MARITA (Mrs. Daly) and Bill is off to his job in the city. The Dalys agree about Camels. Mrs. Daly smoked them first, soon noticed a difference. "Now we find that Camels agree better with both of us," she says.



MARITA'S PLANNING a grand feed. "We enjoy entertaining," she says. "I like plenty of Camels at the table. Camels cheer up digestion. They even cheered up Bill's disposition."



ON WEEK-ENDS, Bill's a candid camera fan. On week days he "pounds the streets." "When my energy begins to fail," he says, "I get a quick 'lift' with a Camel."



PEOPLE DO APPRECIATE THE  
**COSTLIER TOBACCOS**  
IN CAMELS

THEY ARE THE  
**LARGEST-SELLING**  
CIGARETTE IN AMERICA

A matchless blend of finer,  
MORE EXPENSIVE TOBACCOS  
—Turkish and Domestic

Copyright, 1938, R. J. Reynolds Tobacco Co., Winston-Salem, N. C.

ONE SMOKER  
TELLS ANOTHER..

## "Camels agree with me"